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SECOND CLASS
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July 22, 1991

Regional Power ShopKo Set for Public Spin-Off

GREEN BAY, Wisc. — ShopKo is the latest discounter to be spun-off by its parent, in this case Minneapolis-based grocery distributor and retailer, Super Valu.

"We intend to do a public offering of ShopKo common stock because we believe ShopKo and Super Valu will be more accurately valued by the marketplace as two distinctly capitalized business entities," said Super Valu chairman Michael W. Wright.

"Retail industry analysts and the investment community will now have a chance to track ShopKo on its own fundamentals and invest in a pure play discount merchandiser."

Super Valu plans to file a registration statement concerning the proposed IPO with the Securities and Exchange Commission within 45 days. The food giant has been frustrated by low growth in its stock, despite its ongoing strength in food distributing and retailing. Industry observers speculate that Super Valu will use whatever funds it gets from the ShopKo spin-off to acquire other food businesses.

ShopKo, rumored at one time to be a takeover target of competitor Wal-Mart, has grown to over $1.7 billion in sales through 104 stores in 1990, and is solidly profitable. Super Valu acquired the chain in 1971, when it consisted of seven locations.

Wright, speaking at Super Valu's annual shareholder's meeting in late June, said that first quarter "retail general merchandise results were gratifying" despite the soft economy. Super Valu's general merchandise group consisted of 108 ShopKo's and two Twin Valu hypermarkets (one profit-

(Continued on page 89)

ShopKo Sales and Operating Income 1986 to 1990

Year	Sales (In Millions)	Operating Income (In Millions)
1986	$ 915.4	$53.9
1987	1,072.4	61.3
1988	1,280.0	76.4
1989	1,555.9	86.3
1990	1,737.0	92.3

Source: Super Valu

Sam's, Price Club Go to Mexico

U.S. Heavyweights to Slug It Out South of the Border

By Mary Ellen Kelly
International DSN Report

The top U.S. membership warehouse club powerhouses have joined forces with Mexico's largest retailers for what could become the retail battle of the century South of the Border.

The two new warehouse club ventures will also be the first club formats on Mexican soil.

As reported exclusively by *DSN* (June 17, page 1), Wal-Mart has entered into an agreement with CIFRA, S.A., one of Mexico's largest retailers, to open its first foreign stores.

The joint venture between the United States' largest retailer and the Mexico City-based giant has "immediate plans to open wholesale clubs in the Mexico City market area," said Bentonville, Ark.-based parent of Sam's Club. The new membership clubs will be called Club Aurrera, a Wal-Mart spokeswoman told *DSN*.

Similarly, Price Club, headquartered near the Mexican border in San Diego, has entered into a joint venture with another dominant Mexican retailer, Comercial Mexicana, and expects to open its first club late this year or early in 1992. The joint venture is called Price Club de Mexico, but the name of the clubs themselves has not yet been

(Continued on page 89)

Retailers to Eye Chippers, Mulching Mowers at Expo

By Richard Halverson

LOUISVILLE, Ky. — With laws regulating the disposal of yard waste in effect in 38 states, any product that deals with getting rid of leaves, grass clippings and brush will get major attention at the upcoming Expo 91.

One of the hottest categories will be power chippers and shredders, said a Sears buyer, who asked to remain anonymous. Sears will be sending 19 merchandisers to the expo, the same as last year.

"It's an important show for us," the Sears buyer said of the annual show of the Outdoor Power Equipment Institute which runs from July 28 to 30 at the Kentucky Fair and Exposition Center, Louisville.

Sears will be looking for new features on chippers and mulching mowers, another major category of products to deal with environmental issues.

Scores of municipalities have moved to ban yard wastes from dumps. Homeowners either have to compost their own leaves and grass or pay somebody to pick it up for composting.

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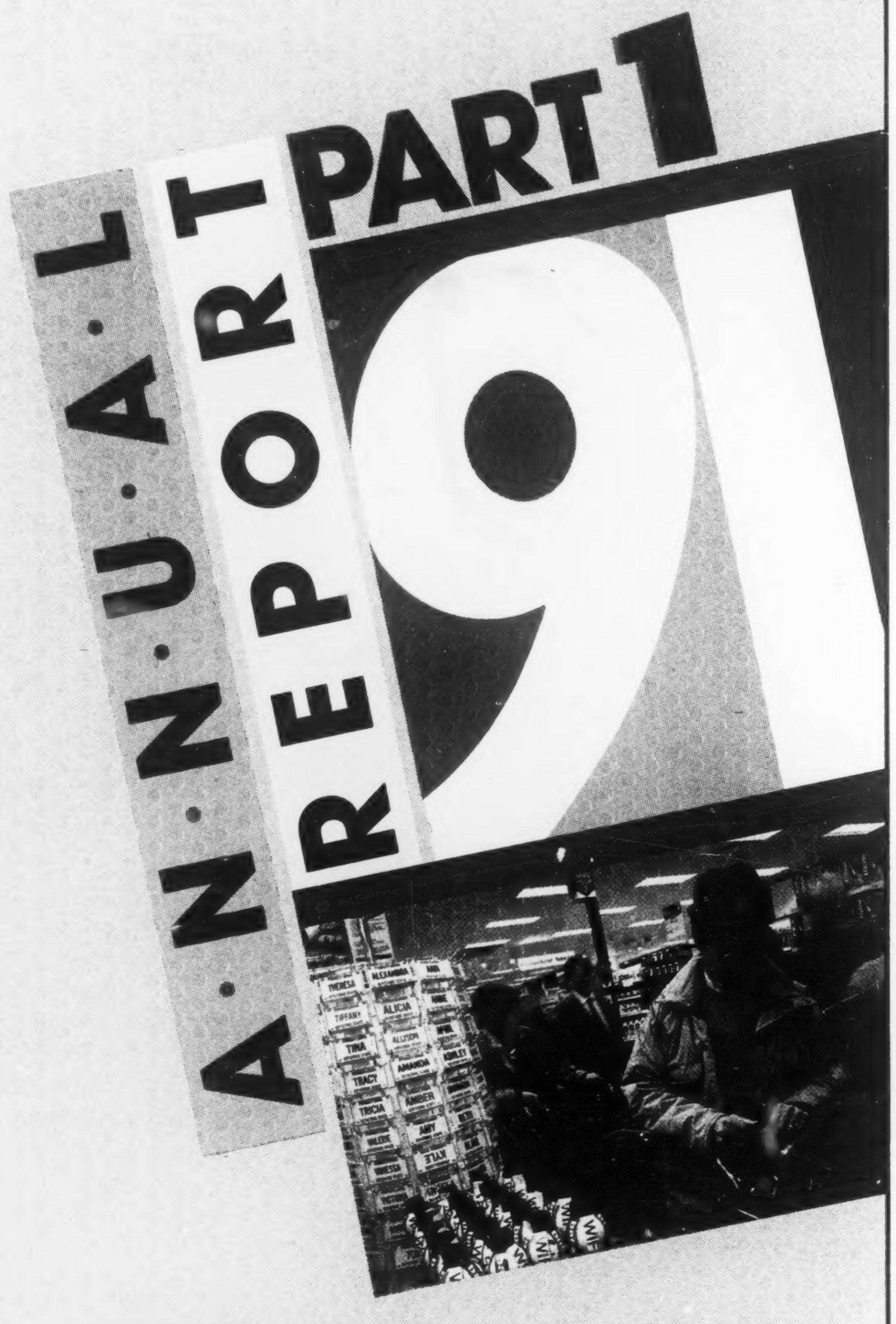

Low-Price Chains Thrive in Recession

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A look at *DSN*'s Top 150 reveals that despite the difficult economy, there were more winners than losers last year. A total of 117 chains registered sales gains in 1990, compared to only 25 that reported declines. Sales were flat at eight chains, *DSN* discovered. That's just one of the hundreds of insights to be found in this very special statistical report that begins on page 23.

Part II of *DSN*'s Annual Report on the Discount Industry (coming Aug. 5) is equally informative. It provides departmental sales, turns, gross margins, and other productivity data on 14 merchandise categories; sales per store and sales per square foot data on the leading chains; a state-by-state listing of discount stores, and more.

MARKETWATCH

Price Changes Mind, Closes Buffalo Site

SAN DIEGO — The Price Club has closed its company-owned 115,000-square-foot store in the Buffalo, N.Y., suburb of Cheektowaga and leased the site to Kmart for a Builders Square. Price Club originally planned to close the club in March (see *DSN*, Feb. 18, page 2) but "reconsidered" the decision shorty after it was announced in February due to community support for the unit. Robert E. Price, chief executive officer, said "the progress we hoped for didn't materialize," adding that "we were able to quickly lease the building. The net result for the company will be to convert a current loss . . . into an income producing property."

Newmark & Lewis Closes 11 N.J. Stores

HICKSVILLE, N.Y. — Newmark & Lewis has announced the closing of 11 of the 14 New Jersey stores it acquired last year from Brick Church for $7.8 million. The company cited high expenses coupled with a recessionary economy, and noted that the New Jersey stores had been responsible for nearly $2 million in losses in fiscal 1991, virtually wiping out the company's overall profit for the year. The stores averaged about $4 million each in annual sales, roughly Newmark & Lewis' chainwide average.

Court Ruling Lets 'Genie' Out of Bottle

SAN FRANCISCO — Federal judge Fern Smith has ruled in favor of Galoob Toys and against Nintendo in a court battle over Galoob's Game Genie, which effectively allows Nintendo players to reprogram their games to enhance or simplify game play. Nintendo charged that Game Genie violated its patents; Galoob responded that if modifying software violates patents, shuffle-play compact disc players, slow motion buttons on VCRs and similar software-modifiers would also technically be illegal. Judge Smith is expected to issue the full decision within two weeks.

Dave Glass to Speak at Texas Symposium

DALLAS — Wal-Mart's president and chief executive officer David Glass will be a featured speaker at a symposium sponsored by Texas A&M's Center for Retailing Studies Oct. 24 and 25. The symposium, which will be held at the Adolphus hotel in downtown Dallas, will also feature Neiman-Marcus president and ceo Terry Lundgren; Harley-Davidson ceo Richard Teerlink; Sonic Corp. ceo Steve Lynn and Mary Kay Cosmetics president Richard Bartlett. For info, contact Lucy Morgan at (409) 845-0325.

NHMA Names New PR Director

ROSEMONT, Ill. — Gary Bergland has been named director of communications for the National Housewares Manufacturers Association, succeeding Kimberly Rawn who resigned to pursue other interests. Bergland joined the housewares association from Chicago-based Communications Research and Development Corp. where he worked for the past 12 years, most recently as vice president of marketing.

APAA Show to Follow 1990's Schedule

CHICAGO — The Automotive Parts & Accessories Association will keep the same hours for its 1991 show as it did in 1990. The show will encompass 24 hours spread over three days from Tuesday through Thursday, October 8 to 10. The show hours will be: Oct. 8 and 9, 9 a.m. to 5:30 p.m., and Oct. 10, 9 a.m. to 4 p.m. Prior to 1990, the show ran for four days. For information, call: William T. Glascow, (708) 333-9292.

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Vol. 30, No. 14 July 22, 1991

Overhaul Slated for Child World

AVON, Mass. — Child World is focusing on improved marketing and merchandising strategies to return the beleaguered chain to profitability.

The toy chain's two chief executives, W. John Devine and Ronald Tuchman, also intend to improve Child World's infrastructure now that the 150-unit toy chain is owned by Avon Investors Limited Partnership.

"We intend to build and improve the company's infrastructure and market position through operating efficiencies, increased advertising and marketing in a policy of everyday low prices, with improved merchandise selection and availability," said Tuchman, chief operating officer.

After a year-long effort to sell the chain, Child World was finally sold by CNC Holdings June 27 to an investment group led by Avon, an entity created by the Thomas H. Lee Co.

As with CNC Holdings, Avon owns just 82% of the chain. The remaining 18% is publicly held. The balance of ownership could change substantially over time should Child World successfully restructure itself according to its plan and if all subsequent warrants, options and conversion rights granted in the transaction are exercised.

According to Child World, should plans work out, Avon will wind up with a 36.58% interest in Child World. The banks or their affiliates would own 21.03%, while management—principally Devine and Tuchman—would hold 17.5%. The remaining stock would be held by the trade, public and Executive Life Insurance.

The sale, whose total value has not been disclosed, includes a restructuring of the toy chain's trade and bank debt and a comprehensive repayment schedule to those sources.

With CNC Holdings, the deal was largely a debt swap.

(Continued on page 90)

Target to Introduce Small Market Stores

MINNEAPOLIS — Target will open 19 stores on a single day this month, including its first two Small Market (SM) units designed to allow the upscale discounter to expand into areas previously considered too small for full-sized Targets.

The 1991 openings include six Target Greatland stores (with three of the supersized general merchandise units going into Columbus, Ohio, a new market for Target), and 18 conventional Targets in Florida.

Target will end 1991 with 463 stores including three SM units and seven Greatlands.

The first two SM units will open July 28 in Willmar and Brainard, Minn. The stores feature the same items as a typical Target. Slightly smaller, at 90,000 square feet, they are located in areas of 50,000-plus people, said George Hite, vp, public and consumer affairs.

To the consumer, the stores will look exactly like the 100,000-square-foot Targets in larger, metro markets, Hite said. The difference is in the size of the chain's investment, in both real estate and construction costs, which are lower. Sales, too, are projected to be lower from these SM stores than from larger, metro stores, but the returns will be the same as for any Target, Hite noted.

A third SM unit will open Oct. 13, in Bimidji, Minn., completing Target's 1991 SM test program for the year.

Target will also open 14 stores in Florida, bringing the state count to 20. The discounter entered Florida last year with six stores, the result of its Richway acquisition from now-defunct Gold Circle. Next week's Florida openings will break new markets for Target, including Orlando and Tampa. Also opening next week are three more Minnesota Targets.

Target will open 24 units Oct. 13, including six Greatlands. The three Greatlands in Columbus will constitute Target's 1991 program for that market. No regular Target stores will open there right now. Hite said Target feels the Columbus market can support one more Greatland store but no opening date has been identified. Also Oct. 13, Target will open two Greatland's in the Twin Cities area and one in Springfield, Ill.

Jack Bush Joins Michaels Stores

IRVING, Texas — Jack Bush has joined a premiere U.S. crafts specialty chain—Michaels Stores—as president and chief operating officer.

Bush is a veteran discount executive, most recently as executive vp, operations and stores for Ames, and as president of Rose's Stores.

Bush succeeded Donald Thomson who was hired as Michaels' president last August. Shortly after joining Michaels, Thomson was diagnosed with cancer but will still work as a director and consultant while undergoing treatment.

"I am very excited about getting into the crafts business," Bush told *DSN* in an exclusive interview from Bermuda where he was vacationing before returning to his new home in Texas.

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EDITORIAL

New Sears: A Specialty Mass Retailer

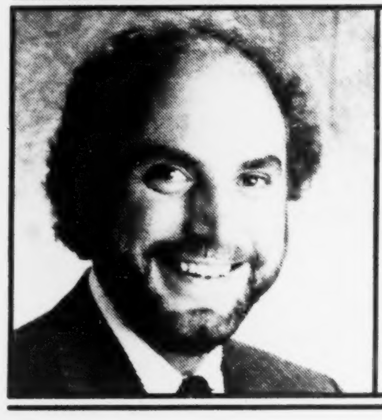
As you read this special issue—*DSN*'s annual statistical report—you will notice several additions to what is already recognized as the most comprehensive analysis and source of data about the discount retail industry.

This special issue contains the vital stats of *all* top chains in every segment of discount retailing, not merely one or two chains from a segment or two pulled together in one chart with no apparent rhyme or reason. The data includes sales, operating income, and store count. In addition, major trends, including mergers and acquisitions, are reviewed in each segment analysis.

Also added this year was a complete financial analysis of public companies in the discount retail field (see page 81).

Another highlight of this year's annual report is that for the first time ever, Wal-Mart is officially ranked as the largest discount retailer.

But, perhaps to some readers what may be the most significant change—and to others what may be the most controversial—is the addition of Sears to the *DSN* Top 150 list of discount retailers.



TONY LISANTI
Editor

Is Sears a discounter? Is Sears a specialty retailer? Does this troubled behemoth belong on a list ranked among Wal-Mart, Kmart, Target and Toys "R" Us?

These are only a few of the questions that I am sure many *DSN* readers will have about Sears. The answer is "yes" to all the above questions. Here are some of the key factors that put Sears into the "discount" classification. In fact, Sears and Montgomery Ward are now officially categorized as "specialty mass retailers."

- Superstore format. Montgomery Ward was added to *DSN*'s Top 150 ranking of discount retailers two years ago. At that time, *DSN* reported the breakup of the triumvirate of the three mass merchants—Sears, Penney and Ward. *DSN* stated that comparing the three retailers was no longer a valid comparison because the chains had changed their formats significantly. Penney went upscale and distanced itself from the mass market. Montgomery Ward was added to *DSN's* Top 150 because it created several power formats within the store that make it more competitive with specialty discounters. It's obvious that Sears has also adopted the discount specialty store format. Its Brand Central concept, for example, is positioned as much as a specialty electronics store as Circuit City is.
- Value. The term discount now has the connotation of "value." And Sears is certainly positioned as a "value-driven" retailer;
- EDLP. Sears' everyday low price strategy has enabled the retailer to compete more aggressively with other discounters;
- Discount store strategies such as "Dollar Days" have been promoted heavily in recent months and will continue to be utilized simply because they work;
- Other factors that justify classification of Sears under the discount retailing umbrella include a significant increase in national brand name merchandise (the company has been described as a "brand name discounter"), a centralized buying staff, a streamlined organization and a likely evolution towards a more self-service environment.

But more important than how *DSN* or anyone categorizes the giant retailer is whether the consumer accepts the "new" Sears. And while Sears may be decidedly discount, it's still struggling.

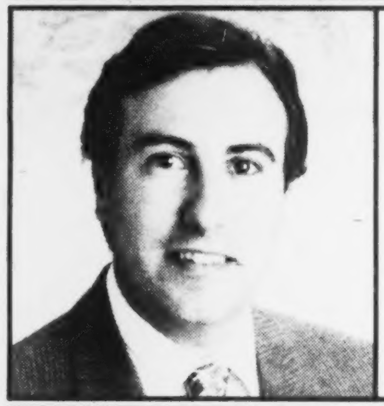
BUYERS & SELLERS

Despite Attrition, Discounting Rolls Ahead

One of the most often used, and most misleading, statements about discount retailing concerns the number of former chains that no longer exist. At numerous conventions and seminars, you've heard the statement, uttered with solemnity so as to strike fear into the heart of even the most level-headed executive: "Of the Top 10 discounters of 19-- (fill in the year), only - (fill in appropriate number: 2-to-6) are still in business today!"

Their figures may be accurate. What's misleading is the hypothesis they try to support: discount retailers belong on the endangered species list.

It is true that only five of the Top 10 discounters of 1980 still exist today. But, the Top 10 discounters of 1990 (excluding Sears and Montgomery Ward) each generated more sales than the $2.8 billion reported by Woolco a decade ago.



DON LONGO
Exec Editor

Ten years ago, the warehouse club industry didn't even exist. Other forms of discounting weren't even a twinkle in the eye of some retail innovator. Today, four warehouse clubs are among the Top 15 discount retailers in the nation. New concepts like hypermarket/supercenters, office supply superstores and sporting goods megastores are rapidly gaining market share. Warehouse auto supply stores are currently in their infancy and the success of chains like Best Buy and BrandsMart with bulked-out consumer electronics concepts is sure to spawn imitators.

The point is this. In any industry there's going to be a certain amount of attrition. Companies go out of business for many reasons. Usually they stray from their original successful concept, or they fail to anticipate the changing needs of their customer base. Rather than mourn the failure of a few, I applaud the long-term success of the many:

- Like Wal-Mart, which became the nation's leading discounter in 1990, with a 21.5% sales gain;
- Kmart, the company that dominated discount retailing like no other for nearly two decades, plans to have 60 net additional stores by the end of the year. Those new units, plus the conversion of smaller stores to Kmart's new better-performing prototype, is sure to keep Wal-Mart from getting complacent about its new title;
- Target's sales leaped 8.8% last year, and the chain plans to add 43 net new units this year. The opening of Target's Greatland unit, the largest general merchandise discount store in the country, capped a terrific year for the chain;
- Sam's Club was a key to Wal-Mart's rise to total corporate sales leadership among retailers. Wal-Mart's membership club division is now intent on carving out its own identity from the discount store arm and shows no signs of letting up;
- Price Club still generates the highest per-club sales in the industry, and an accelerated expansion program will keep the warehouse club industry's grandfather on Sam's heels for many years to come;
- Toys 'R' Us, Costco, Meijer, Fred Meyer, Circuit City, Pace, Marshalls, T.J. Maxx, Caldor, ShopKo, Payless N.W. and Venture all stood out for impressive sales gains among the Top 25 discount retail chains.

However, 10 years from now, the accomplishments of the top chains of the year 2000 will dwarf today's top retailers.

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A·N·N·U·A·L REPORT '91

PART 1

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Low-Price Chains Thrive in Recession

The old adage that discount stores thrive in recessionary times was put to a test last year.

On the surface, that seems like a logical theory. Discounters that stress low prices when consumers are more price-conscious than usual should outperform full-price retailers.

In practice, the theory held true for many of the nation's leading discount retailers. Wal-Mart (which along with its Sam's Club division became the world's largest retailer last year), membership warehouse clubs, several off-price apparel chains, dollar discount stores and closeouters particularly benefited from economic conditions last year.

(Continued on page 29)

Discount Industry Sales[1]

	Sales (In Billions)	Percent Change
1987	$127.4	—
1988	137.4	+7.8%
1989	146.5	+6.6
1990	157.4	+7.4
1991 proj.	168.9	+7.3

[1] Includes full-line discount dept. stores, hypermarkets, dollar discounters, closeouters, catalog showrooms, apparel off-pricers, warehouse clubs and specialty discounters.

Source: DSN *research*

Full-Line Discount Department Stores[1]

	Sales (In Billions)	Percent Change
1987	$79.8	—
1988	83.7	+4.8%
1989	87.2	+4.1
1990	92.0	+5.5
1991 proj.	96.8	+5.2

[1] Includes hypermarkets, dollar discounters and closeouters.

Source: DSN *research*

Catalog Showrooms

	Sales (In Billions)	Percent Change
1987	$6.9	—
1988	7.2	+4.3%
1989	7.5	+4.1
1990	7.2	(4.0)
1991 proj.	7.1	(1.3)

( )—Loss

Source: DSN *research*

Specialty Discounters

	Sales (In Billions)	Percent Change
1987	$19.0	—
1988	22.1	+16.3%
1989	23.4	+ 5.8
1990	24.8	+ 5.9
1991 proj.	26.5	+ 6.8

Source: DSN *research*

Apparel Off-Pricers

	Sales (In Billions)	Percent Change
1987	$ 9.9	—
1988	10.5	+ 6.0%
1989	11.0	+ 4.7
1990	12.0	+ 9.0
1991 proj.	13.2	+10.0

Source: DSN *research*

Warehouse Clubs

	Sales (In Billions)	Percent Change
1987	$11.8	—
1988	13.9	+17.7%
1989	17.4	+25.1
1990	21.4	+22.9
1991 proj.	25.3	+18.2

Source: DSN *research*

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METHODOLOGY

Discount Store News' Annual Report on the Discount Industry is the most comprehensive, accurate, and most widely quoted study on discount retailing. Part I reports sales, operating profits, and store count information on the top 150 discount retailers in the United States. *DSN's* Top 150 list includes discount department stores, warehouse clubs, catalog showrooms, hypermarkets, off-price apparel chains, dollar discount stores, closeout store chains, multidepartment specialty mass retailers, and special discounters in toys, sporting goods, office supplies, consumer electronics and the automotive aftermarket. Separately, the report also profiles the associated mass retail segments of variety stores in addition to deep discount health & beauty aids chains.

The data for this issue was compiled from company annual reports, filings with the Securities and Exchange Commission and phone calls to more than 200 of the nation's leading chains. In instances where estimates were made, *DSN* relied upon its knowledge of the company, historical performance and other sources. This year's report contains some changes from last year's because some firms chose to update the figures they reported last year. *DSN* published only the updated figures. Other changes in classifications of retailers (such as when a chain alters its merchandising philosophy and is reclassified into a different retail segment) may also affect previously reported figures.

Low-Price Chains Thrive in Weak Economy

(Continued from page 24)

Office supply superstores, despite consolidation in their ranks, also grew as the youngest of the new specialty retail segments and still appears to have ample room to grow. The megastore segment of the sporting goods market also blossomed at the expense of the more traditional retailers.

Nevertheless, tough economic conditions and heavy debt loads squeezed the life out of several traditional stores that failed to adjust to the changing market conditions suffered. Ames, Hills, Best Products and many other catalog showroom chains, and some consumer electronics retailers hit hard times last year.

Seven discount retailers filed for Chapter 11 protection from creditors in 1990, including discounting's largest bankruptcy: Ames, with more than 680 stores, which went Chapter 11 in April.

Another casualty of 1990 was S.E. Nichols, which has abandoned the traditional full-line discount store concept for the hot deep discount H&BA arena. The New York-based chain sought protection in March.

For the retail industry, Christmas 1990 was one of the most disappointing in memory. Holiday cheer was scarce at Stuarts, another chain which filed for Chapter 11 in December.

1991 got off to an inauspicious start. First, Enstar took its 67 Bargain Time variety stores and 255 Simply Six off-price apparel units into Chapter 11.

Also in January, the 195-unit catalog showroom chain, Best Products, filed for Chapter 11, followed a month later by the Chapter 11 filing of 186-store Hills, which is one of the discount industry's oldest retailers.

The last vestiges of Heck's, another venerable discounter, may disappear soon as L.A. Joe's, a new entity created by the company that acquired Heck's last year, went Chapter 11 in April and is now apparently closing its doors forever.

Just last month, Lionel Leisure's Kiddie City toy chain became the latest casualty.

Chapter 11 Bankruptcies

Chain	Date of Filing	Units at Filing
Lionel Leisure	June 1991	96
L.A. Joe's	April 1991	76
Masters	Feb. 1991	35
Hills	Feb. 1991	186
Best Products	Jan. 1991	195
Enstar[1]	Jan. 1991	322
Stuarts	Dec. 1990	23
Club Wholesale	Nov. 1990	2
Jewelcor	Oct. 1990	6
S.E. Nichols[2]	March 1990	34
Action Auto	June 1990	68
Ames[3]	April 1990	681
Casual Male Corp.[4]	April 1990	308

[1] Enstar operated 67 Bargain Town variety store units and 255 Simply Six off-price apparel stores at time of filing.
[2] S.E. Nichols: Filed for bankruptcy reorganization May 1991.
[3] Ames: Filed for bankruptcy reorganization June 1991.
[4] Casual Male Corp.: Big & Tall, surviving division of Casual Male Corp., acquired by J. Baker, Inc. out of bankruptcy, Feb. 1991.
NA: Not available

Source: DSN research

Despite the recession of 1990, the top 10 discount retailers in the nation enjoyed a 9.8% sales increase. These 10 retailers—Wal-Mart, Kmart, Sears, Target, Sam's Club, Price Club, Montgomery Ward, Toys "R" Us, Costco and Service Merchandise generated $106.2 billion in sales in 1990, or 60% of the $179.1 billion in total sales racked up the the Top 150 discount retailers.

Discount industry sales, including full-line discount department stores hypermarkets, dollar discount stores, closeouters, catalog showrooms, apparel off-pricers, warehouse clubs and specialty discounters, grew to $157.4 billion in 1990, a rise of 7.4% over 1989.

The fastest growing segment of discounting was warehouse clubs. Warehouse club sales grew 22.9% to $21.4 billion last year. Apparel off-pricers, benefiting from the flight from full-price department stores, grew by 9% to $12 billion last year.

Specialty discounters, as a group, climbed 5.9% to $24.8 billion in 1990. However, results were mixed both within each segment and across segments. In general, office supply and sporting goods megastores were the big winners; CE chains and automotive aftermarket stores struggled.

Full-line, multidepartment discount stores, including hypermarkets, dollar discounters and closeouters, achieved $92 billion in sales in 1990, a 5.5% increase over 1989's $87.2 billion in sales.

Catalogers were most heavily hit in '90, with sales dipping by 4% to $7.2 billion.

Although 1991 started out as a continuation of the sluggish second half of 1990, *DSN* sees signs that the economy has bottomed out and that retail sales will pick up steam in the second half.

Total discount industry sales should increase by 7.3% this year, to $168.9 billion. *DSN*'s segment projections are as follows:

- Full-line discounters, $96.8 billion, up 5.2%;
- Catalog showrooms, $7.1 billion, down 1.3%;
- Apparel off-pricers, $13.2 billion, up 10%;
- Warehouse clubs, $25.3 billion, up 18.2%;
- Specialty discounters, $26.5 billion, up 6.8%.

IPOs Eclipse LBOs as Restructuring Gambit

In a swift development in the first half of 1991, the stock market stamped IPO (initial public offering) all over the retail restructuring picture.

In sharp contrast to last October, when the May Department Store Co. had to give up trying to sell a 15% stake in Venture, investors were falling all over themselves this spring to buy shares of new retailing issues such as AutoZone, Filene's Basement and Value City, which Schottenstein Stores took public.

A total of eight discounters went public in the period, a jump from three in the previous 18 months.

The boom in IPOs and an attendant decline in leveraged buyouts, along with the anticipated shakeout in the office products category and consolidation in the wholesale club segment were the dominant trends in retail restructuring over the past 18 months.

The pace of mergers and acquisitions picked up with 18 chains changing hands, compared to 12 in the previous 18 months. Nine discounter chain names disappeared when purchasers of chains converted them to their own merchandising formats and chain names.

Combined with seven chains that liquidated and a chain that switched from full-line to deep drug discounting, the chain conversions meant that 17 chain names departed over the past year and a half.

The largest chain to disappear was the 330-unit Circus World, which Greenman Bros. sold to Melville Corp. last August for conversion to Kay-Bee toy stores.

In the latest restructuring, the owners of the Child World toy chain found buyers for the money-losing chain after two previous investor groups either failed to put together deals or backed out. Meanwhile, Child World's store count slipped to 150 from 182.

Moreover, the 13 discounters that filed for Chapter 11 bankruptcy over the past 18 months, including Lionel Leisure last month, Hills Department Stores in February and Best Products in January, threatens to contract the number of different chains even more in the months ahead.

The IPO of Pamida last fall, along with the failed Venture IPO, illustrates how swiftly Wall Street's view of IPOs, including those of retailers, turned around this spring.

Pamida had hoped to raise as much as $58 million, at $16 a share for 4 million shares, to pay down debt on its balance sheet and fund expansion. Instead, it had to settle for a 1.5 million share sale of insider stock at $5 a share, or $7.5 million. And the entire proceeds went to LBO investors, who cashed out their profits on stock bought at 20 cents a share. None of the money went to improve retail operations.

Similarly, May had hoped to raise $42.5 million through an IPO to clean up Venture's balance sheet—and realize a greater gain from the divestiture—before it spun off the chain. When the market spurned the idea, May spun off 100% of the company last November to its stockholders. That still made Venture a public company but did nothing to reduce its heavy debt load.

In sharp contrast, investors gave Kohlberg Kravis and Roberts a roaring welcome when it took AutoZone, an auto parts chain, public this May by selling a 10% stake at $23 a share, for a total of $84.8 million to be used to pay down debt. KKR had expected $19 to $21 a share.

On the downside of automotives, though, Northern Automotive liquidated its Crown Auto chain acquired for $8 million in 1988 when it operated 57 stores, selling what stores it could and closing the rest.

Investors also stood in line during the month of May to purchase shares in Filene's Basement. The off-price apparel retailer raised $70 million by selling a 24.3% stake. And Schottenstein Stores readily sold a 25% stake in Value City Department Stores to raise $64 million.

***Wal-Mart's purchase** of The Wholesale Club (above) for its Sam's division was one of the largest retail acquisitions of 1990.* (DSN photo)

Caldor represented the largest IPO of the period when its owners, Odyssey Partners, which had acquired the chain from May Department Stores for $552 million in August 1989, sold a 30.7% stake for $108 million. Caldor fetched $21 a share, against an expected $17 to $19.

Although $31 million of the proceeds went to insider stockholders as they cashed out their profits, Caldor got $70 million, net after commissions, and used $61 million to reduce debt and short-term borrowings.

In contrast to the boom in IPOs, the number of LBOs dwindled to three, all fairly modest. The largest was the $115 million LBO of Whitlock Auto by Merrill Lynch Capital Partners, while the management-led LBO of Prange Way represented $35 million of debt and equity. The management of dot Drug, a 14-unit chain, bought it from Wal-Mart for an undisclosed sum.

For a single category, office products accounted for the largest number of restructurings, nine. They were: two liquidations, Office Stop and HQ Office Supplies Warehouse; five mergers and acquisitions that eliminated two chains when Office Max swallowed Office Square and Office World; a $22 million initial public offering by OW Office Warehouse; and a new en-

(Continued on page 32)

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IPOs Eclipse LBOs as Restructuring Gambit

(Continued from page 29)

trant, Club Wholesale, which converted its concept to office products from general merchandise and food.

Kmart, as it did in sporting goods, threw in the towel on its new office products chain, Office Square. Kmart acquired Sports Authority in March 1990 and melded its Sports Giant launch into the acquired chain. Similarly, Kmart sold Office Square to OfficeMax in exchange for a 22% stake in the retailer.

Two of the office product restructurings were mergers, and both chain names survive in the pairings of: O.P. Club with The Office Place and Office Club with Office Depot.

The latest of the office products acquisitions was an outright financial play when Intelligent Electronics acquired last month the 59-unit BizMart chain for $192 million.

In attempts to stave off bankruptcy, Club Wholesale converted its two general merchandise and food warehouse units to an office products merchandising concept called Club Wholesale Office Supply Warehouse. The effort failed, however, and Club Wholesale declared Chapter 11 bankruptcy last November, closing one unit.

The Wholesale Club was one of the 17 chain names to disappear when Wal-Mart acquired it for $172 million last November and converted its 30 units, including three under construction, to Sam's Club.

The wholesale club industry consolidated another notch in January 1991, when Kmart acquired Price Savers' 15 units for conversion to Pace.

Besides Club Wholesale, two other chains changed their merchandising concepts and landed in Chapter 11.

S.E. Nichols gave up on full-line discounting in March 1990, converting 19 of its 34 remaining stores to a deep discount drug concept it called Pharmhouse and closing the rest. But S.E. Nichols declared Chapter 11 in March 1991.

The failure of a third remerchandising came to light this April when the parent corporation that owned L.A. Joe's, Nitro, W. Va., declared Chapter 11. Its corporate parent, Retail Acquisition Corp., an entity founded by Jordache Enterprises and the three Nakash brothers who own Jordache, acquired the 55 remaining Heck's stores out of bankruptcy in March 1990 by assuming $80 million in debt.

Jordache renamed Heck's L.A. Joe's after one of its brands and switched to a largely closeout concept featuring Jordache apparel. Jordache Enterprises sold the operation to other investors in February, and the new owners filed Chapter 11 two months later.

The largest chain liquidation during the last 18 months was that of the 200-unit Bargain Time closeout chain launched by the parent of McCrory Stores using cast-off units the TG&Y variety store chain it had acquired.

Bargain Times' parent folded Bargain Time last fall less than two years after it founded the chain.

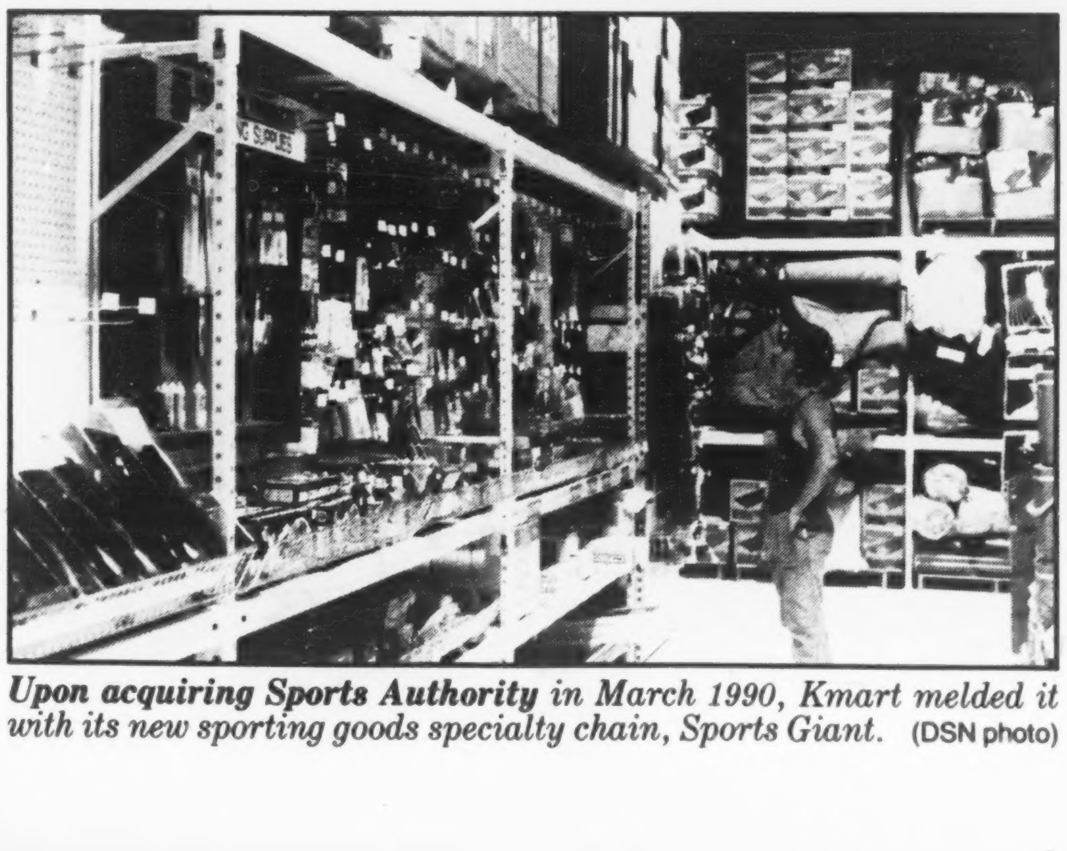
Another full-line discounter, 55-unit Sky City, folded in January 1991 after a deal by its financially troubled parent, Interco, to sell the chain failed.

Besides the sales already closed, two other announced restructurings are pending.

Carrefour, the French hypermarket chain that operates one unit in Philadelphia and is building a second, proposed late last month to acquire Euromarche, another French hypermarket chain, for $820 million. Euromarche heads a venture, Hyper Shoppes, that owns the four-unit Bigg's hypermarket chain, Cincinnati, Ohio. Another partner in Bigg's is Super Valu, the supermarket parent of the ShopKo discount store chain and Twin Valu hypermarkets.

In addition, National InterGroup announced in March that it plans to spin-off to shareholders its Ben Franklin variety stores after failing to get an acceptable offer since last fall.

As a promise of more restructurings to come, the Canadian owners of Smitty's, put it on the block last month.



***Upon acquiring Sports Authority** in March 1990, Kmart melded it with its new sporting goods specialty chain, Sports Giant.* (DSN photo)

Retail Restructurings Since January 1990

Mergers and Acquisitions

Acquired Chain	Acquirer	Date	Units	Price	Fate of Chain
Child World	Avon Investors	6/91	150	NA	Name Unchanged
BizMart	Intelligent Electronics	6/91	59	$192 million	Name Unchanged
O.P. Club	The Office Place	5/91	19	NA	Both names survive
Big & Tall[1]	J. Baker	2/91	170	NA	Name Unchanged
Price Savers	Kmart	1/91	17	NA	Converted to Pace
Office Club	Office Depot	12/90	51	140	Both Names Survive
Towers	Zellers	11/90	51	100	Folded into Zellers
The Wholesale Club	Wal-Mart	11/90	30	172	Converted to Sam's Clubs
Office Square	Office Max	11/90	7	NA	Folded into Office Max
Circus World	Melville Corp.	8/90	330	95	Folded into Kay-Bee Toys
Tons of Toys	Merchants West	8/90	21	NA	Name Unchanged
Toy King	Value Merchants	5/90	20	NA	Folded into Toy Liquidators
Maxway	Variety Wholesalers	4/90	35	4.3 million	Name unchanged
Office World	Office Max	4/90	7	NA	Folded into Office Max
Sports Authority	Kmart	3/90	8	65	Name unchanged
Gee Bee[2]	Schottenstein Stores	3/90	35	39.6	Name unchanged
Brick Church	Newmark & Lewis	3/90	17	7.8	Folded into Newmark & Lewis
Heck's	Jordache Enterprises	3/90	60	80	Converted to L.A. Joe's[3]

[1] *Big & Tall men's store division acquired out of bankruptcy from Casual Male Corp.*
[2] *Includes 17 units of Gee Bee and 18 units of Dollar Bargain closeout chain acquired out of Chapter 11 bankruptcy.*
[3] *Purchaser of chain from Jordache declared Chapter 11 bankruptcy April 1991.*
NA: Not available

Initial Public Offerings

Public Chain	Date	Public Stake	Amount Raised
Hi/LO Automotive	June 1991	33.5%	$ 38 million
Filene's Basement	May 1991	24.3%	70 million
Value City	May 1991	25%	64 million
AutoZone	May 1991	10%	85 million
OW Office Warehouse	May 1991	46.5%	23 million
Caldor	April 1991	30.7%	108 million
Pamida	Sept. 1990	30%	7.5 million
Auto Depot	August 1990	80.1%	10 million

Chain Spin-Off

Venture Nov. 1990 100% by May Dept. Stores Co. $262.5 million

Leveraged Buyouts

Chain	Date	Units	Value	Purchaser
Prange Way	August 1990	24	$ 35 million	Management-led LBO
Whitlock Auto[1]	August 1990	275	115 million	Merrill Lynch Capital Partners
Dot Drug	Feb. 1990	14	NA	Management-led LBO

[1] *Includes Whitlock Auto, Rose Auto Stores and R&S Strauss chains.*
NA: Not available

Merchandising Concept Changes

Old Chain Name	New Chain Name	New Concept	Units	Date
S.E. Nichols	Pharmhouse	Deep Discount Drug	19	March 1990
Club Wholesale	Club Wholesale Office Supply Warehouse	Office Supplies	2	August 1990
Heck's	L.A. Joe's	Closeout Apparel	55	March 1990

Liquidations

Chain	Date	Units Left at End
Crown Auto	May 1991	35
Office Stop	May 1991	5
HQ Office Supplies Warehouse	April 1991	11
Sky City	Jan. 1991	55
Bargain Time	Sept. 1990	200
Wall to Wall Sound & Video	May 1990	30
Jaffe's	April 1990	7

Source: DSN research

Top 150 Discount Retailers

Rank		Chain, Headquarters	Code	Sales (In Millions)		Percent Change	Earnings* (Loss) (In Millions)		Percent Change	Number of Stores		
1990	1989			1990	1989		1990	1989		1/90	1/91	Proj. 1/92
1	2	**Wal-Mart,**[1] Bentonville, Ark.	DDS	$25,156	$20,702	21.5%	$1,872.0	$1,677.0	11.6%	1,402	1,573	1,733
2	1	**Kmart,**[2] Troy, Mich.	DDS	24,772	24,406	1.5	1,307.0	1,314.0	(0.5)	2,194	2,205	2,265
3	NR	**Sears,**[3] Chicago, Ill.	SMR	19,400	19,500	(0.5)	49.7	479.5	(89.6)	847	863	878
4	3	**Target,** Minneapolis, Minn.	DDS	8,180	7,520	8.8	466.0	449.0	3.8	401	420	463
5	7	**Sam's Club,** Bentonville, Ark.	CLUB	6,579	4,841	35.9	170.0	130.0	30.8	123	148	201
6	6	**Price Club,** San Diego, Calif.	CLUB	5,300	4,900	8.2	199.4	181.5	9.9	53	66	76
7	4	**Montgomery Ward,**[4] Chicago, Ill.	SMR	5,128	5,028	2.0	153.0	151.0	1.3	333	343	NA
8	8	**Toys "R" Us,** Rochelle Park, N.J.	TOY	4,180	3,640	14.8	438.9	455.7	(3.7)	404	451	498
9	10	**Costco,** Kirkland, Wash.	CLUB	4,100	2,900	41.4	93.0	55.5	67.6	58	69	80
10	9	**Service Merchandise,** Nashville, Tenn.	CAT	3,400	3,300	3.0	224.4	212.8	5.5	334	346	361
11	5	**Ames,**[5] Rocky Hill, Conn.	DDS	3,100	4,800	(35.4)	(793.5)	(228.1)	NA	682	455	455
12	11	**Meijer,** Grand Rapids, Mich.	HYPER	3,000	2,800	7.1	NA	NA	NA	56	57	62
13	12	**Fred Meyer,** Portland, Ore.	DDS	2,480	2,284	8.6	67.5	0.8	8,337.5	125	120	122
14	13	**Circuit City,** Richmond, Va.	CE	2,380	2,100	13.3	91.4	113.8	(19.7)	170	192	NA
15	17	**Pace,**[6] Englewood, Colo.	CLUB	2,295	1,700	35.0	12.0	NA	NA	47	78	115
16	16	**Marshalls,** Andover, Mass.	APP	2,183	1,939	12.6	165.0	167.0	(1.2)	347	386	411
17	14	**Hills,**[7] Canton, Mass.	DDS	2,140	2,075	3.1	67.7	108.1	(37.4)	208	214	154
18	19	**T.J. Maxx,** Framingham, Mass.	APP	1,900	1,700	11.8	161.0	140.0	15.0	352	393	438
19	15	**Best Products,**[8] Richmond, Va.	CAT	1,800	2,100	(14.3)	(284.3)	(74.3)	NA	194	195	171
20	18	**Bradlees,** Braintree, Mass.	DDS	1,771	1,751	1.1	62.0	55.0	12.7	130	130	130
21	20	**Caldor,** Norwalk, Conn.	DDS	1,766	1,567	12.7	79.6	63.5	25.4	118	122	126
22	22	**ShopKo,** Green Bay, Wis.	DDS	1,737	1,556	11.6	92.3	86.3	7.0	98	104	120
23	21	**Pay Less NW,** Wilsonville, Ore.	DRUG	1,642	1,480	10.9	79.0	72.0	9.7	294	321	355
24	23	**Rose's,**[9] Henderson, N.C.	DDS	1,525	1,508	1.1	(7.0)	14.3	NA	259	256	237
25	24	**Venture,**[10] O'Fallon, Mo.	DDS	1,420	1,045	35.9	53.8	17.9	200.6	75	79	84
26	25	**Western Auto,**[11] Kansas City, Mo.	AUTO	1,300	1,200	8.3	NA	NA	NA	468	504	544
27	26	**BJ's Wholesale Club,** Natick, Mass.	CLUB	1,150	985	16.8	11.3	18.6	(39.2)	23	27	33
28	NR	**Home Shopping Network,** Clearwater, Fla.	ELE	1,008	774	30.2	74.7	9.2	712.0	NA	NA	NA
29	37	**Kay-Bee,** Pittsfield, Mass.	TOY	927	724	28.1	NA	NA	NA	777	1,116	1,126
30	28	**Silo,** Philadelphia, Pa.	CE	910	900	1.1	NA	NA	NA	220	235	250
31	29	**Jamesway,**[12] Secaucus, N.J.	DDS	896	855	4.8	(17.0)	9.0	NA	134	134	124
32	32	**Burlington Coat,**[13] Burlington, N.J.	APP	892	779	14.5	32.0	36.0	(11.1)	146	159	171
33	31	**Pep Boys,** Philadelphia, Pa.	AUTO	885	799	10.8	77.4	69.0	12.2	281	313	344
34	34	**Family Dollar,**[14] Charlotte, N.C.	DOLLAR	874	757	15.5	47.6	35.1	35.6	1,680	1,755	NA
35	39	**Price Savers,**[15] Salt Lake City, Utah	CLUB	850	685	24.1	NA	NA	NA	14	17	0
36	30	**Child World,** Avon, Mass.	TOY	829	830	(0.1)	(204.0)	11.7	NA	182	182	160
37	36	**Ross Stores,** Newark, Calif.	APP	804	741	8.5	25.2	47.2	(46.6)	156	185	205
38	33	**Northern Automotive,**[16] Phoenix, Ariz.	AUTO	800	763	4.8	NA	NA	NA	828	850	825
39	27	**Highland Superstores,** Taylor, Mich.	CE	800	924	(13.4)	NA	4.3	NA	93	93	40
40	NR	**QVC Network,** West Chester, Pa.	ELE	776	453	71.2	30.0	22.0	36.4	NA	NA	NA
41	46	**The Wholesale Club,**[17] Indianapolis, Ind.	CLUB	726	570	27.4	NA	20.4	NA	23	28	0
42	38	**Fedco,** Santa Fe Springs, Calif.	DDS	701	685	2.3	NA	8.3	NA	9	9	9
43	35	**Smitty's,** Phoenix, Ariz.	DDS	678	755	(10.2)	NA	NA	NA	24	24	25
44	47	**AutoZone,**[18] Memphis, Tenn.	AUTO	672	536	25.4	49.3	24.9	98.0	520	553	593
45	48	**Best Buy,** Minneapolis, Minn.	CE	665	512	29.9	4.5	5.7	(21.1)	49	58	68
46	43	**Pamida,** Omaha, Neb.	DDS	664	619	7.3	38.6	37.9	1.8	170	177	185
47	45	**Consolidated Stores,** Columbus, Ohio	CLOSE	662	594	11.6	15.2	11.5	32.2	336	337	360
48	44	**Dollar General,** Scottsville, Ky.	DOLLAR	653	615	6.2	28.0	25.9	8.1	1,378	1,461	1,476
49	40	**Herman's,** Carteret, N.J.	SPORT	630	680	(7.4)	NA	NA	NA	266	258	264
50	42	**Lechmere,** Woburn, Mass.	DDS	627	650	(3.5)	NA	NA	NA	18	18	20
51	64	**Office Depot,** Boca Raton, Fla.	OFFICE	626	314	99.4	15.8	7.3	116.4	67	122	162
52	41	**Thrifty Corp.,**[19] Los Angeles, Calif.	SPORT	600	520	15.4	NA	NA	NA	256	266	274
53	49	**Kids "R" Us,** Paramus, N.J.	APP	580	475	22.1	29.0	20.0	45.0	137	164	191
54	53	**Value City,**[20] Columbus, Ohio	DDS	538	430	25.1	31.2	26.0	20.0	48	53	54
55	107	**Wal-Mart SuperCenter,**[21] Bentonville, Ark.	HYPER	530	220	140.9	10.0	5.0	100.0	6	9	10
56	50	**Pic 'N' Save,**[22] Dominguez, Calif.	CLOSE	529	475	11.4	37.1	55.4	(33.0)	190	191	195
57	51	**Alexander's,**[23] New York, N.Y.	DDS	460	463	(0.6)	(3.9)	17.5	NA	11	12	NA
58	52	**Fishers Big Wheel,**[24] New Castle, Pa.	DDS	450	450	0.0	NA	NA	NA	100	87	89
59	54	**Lionel Kiddie City,** Philadelphia, Pa.	TOY	426	429	(0.6)	(11.2)	0.5	NA	92	100	100
60	68	**Clover,** Philadelphia, Pa.	DDS	425	410	3.7	15.0	25.0	(40.0)	23	24	25
61	59	**Filene's Basement,**[25] Wellesley, Mass.	APP	400	358	11.8	12.3	5.5	123.6	25	32	38
62	57	**Chief Auto Parts,** Dallas, Texas	AUTO	400	375	6.7	NA	NA	NA	503	518	535
63	76	**Newmark & Lewis,** Hicksville, N.Y.	CE	400	246	62.6	NA	1.9	NA	50	98	105
64	56	**Loehmann's,** Bronx, N.Y.	APP	396	387	2.3	27.7	27.4	1.1	73	77	77
65	55	**Hit or Miss,** Framingham, Mass.	APP	387	400	(3.3)	(8.0)	16.0	(150.0)	546	574	579
66	60	**Tops Appliances,** Edison, N.J.	CE	380	365	4.1	NA	NA	NA	3	3	4
67	85	**Bigg's,** Milford, Ohio	HYPER	350	300	16.7	NA	NA	NA	4	4	4
68	67	**WSR Group,**[26] Chicago	AUTO	320	285	12.3	NA	NA	NA	280	299	305
69	62	**Oshman's,** Houston, Texas	SPORT	318	317	0.3	(4.0)	(0.5)	NA	190	190	192
70	63	**Bi-Mart,** Eugene, Ore.	DDS	315	315	0.0	NA	NA	NA	41	43	NA
71	65	**Syms,** Secaucus, N.J.	APP	314	301	4.3	24.7	32.9	(24.9)	27	27	28
72	69	**Brendles,** Elkin, N.C.	CAT	311	277	12.4	2.0	5.7	(64.9)	45	57	59
73	66	**Ann & Hope,** Cumberland, R.I.	DDS	300	292	2.7	NA	NA	NA	6	6	6
74	94	**Staples,**[27] Newton, Mass.	OFFICE	299	182	64.1	5.9	5.2	13.5	38	74	120
75	89	**The Good Guys,** San Francisco, Calif.	CE	294	195	50.8	12.6	6.9	82.6	21	30	38

Chain Codes: ● **DDS:** Discount Department Store ● **APP:** Off-Price Apparel Chain ● **CE:** Consumer Electronics Chain ● **CAT:** Catalog Showroom Chain ● **AUTO:** Auto Aftermarket Specialty Chain ● **CLUB:** Membership Warehouse Club ● **SPORT:** Sporting Goods Specialty Chain ● **TOY:** Toy Specialty Chain ● **DOLLAR:** Dollar Discount Chain ● **DRUG:** Drug Chain (with high percentage of general merchandise and apparel) ● **CLOSE:** Closeout Goods Chain ● **HYPER:** Hypermarket ● **OFFICE:** Office Supply Megastore ● **ELE:** Electronic Retailers ● **SMR:** Specialty Mass Retailer

Sales: *Total U.S. store volume from apparel, general merchandise, food (excludes sales from supermarket operations).*

Earnings: *Operating income (profit/loss from continuing operations, before taxes and extraordinary items), unless otherwise-indicated.*

NA: Not available or Not applicable.

(   )—Loss.

NR: Not ranked in that year.

[1] Wal-Mart: Discount stores only.

[2] Kmart: U.S. Kmart stores only; Sales include 49% of Meldisco footwear departments; 1989 operating income excludes a $598 million non-recurring charge for store restructuring.

[3] Sears: Classified as SMR due to everyday low price strategy, addition of national brand name merchandise and specialty store-within-a-store concept. Sales include U.S. Sears stores only; Operating income is total U.S., including catalog operations, after a restructuring loss.

[4] Montgomery Ward: Classified as SMR due to everday low price strategy, national name brand merchandise and specialty store-within-a-store concept. Earnings represent net income.

[5] Ames: Earnings represent net income.

[6] Pace: 1989 operating income was $4 million for a partial year under Kmart's ownership.

[7] Hills: In Chapter 11

[8] Best Products: In Chapter 11; 1990 earnings represent pre-reorganization loss.

[9] Rose's: 1990 earnings exclude $35.4 million provision for future store closings.

[10] Venture: Earnings represent income before taxes; operating profits were $67.6 million in 1990 and an adjusted $67.2 million in 1989.

[11] Western Auto: Includes company-owned Western Auto stores, (367 units as of June 11, 1991); 90 Tire America stores and 63 NTW tire stores.

[12] Jamesway: Earnings represent net income.

[13] Burlington Coat: Figures for fiscal year ended in July.

[14] Family Dollar: Sales and earnings are for fiscal year ended Aug. 31.

[15] Price Savers: Acquired by Kmart for Pace in December 1990.

[16] Northern Automotive: Includes Schuck's, Checker, Kragen, Crown and Autoworks chains.

[17] The Wholesale Club: Acquired by Wal-Mart for Sam's Club in 1991.

[18] AutoZone: Figures for fiscal year ended Aug. 25, 1990.

[19] Thrifty Corp.: Includes Big 5, MC Sporting Goods, Gart Bros., Mages, and Casey's sporting goods chains; figures for fiscal year ended Nov. 30.

[20] Value City: Figures for fiscal year ended July 31.

[21] Wal-Mart SuperCenter: Includes Hypermart USAs.

[22] Pic N' Save: Operates under the names Pic N' Save, Job Lot Pushcart and The "WOW" Store.

[23] Alexander's: Earnings represent net income.

[24] Fisher's Big Wheel: 1990 figures exclude sales from 18 closed stores.

[25] Filene's Basement: Earnings represent net income.

[26] WSR Group: Includes Whitlock Auto, Rose Auto Supply and R&S Strauss stores.

[27] Staples: 1990 operating income includes a $2.1 million non-recurring charge in fourth quarter for acquisition of HQ Office Supplies stores.

Source: DSN research

Top 150 Discount Retailers

Rank		Chain, Headquarters	Code	Sales (In Millions)		Percent Change	Earnings* (Loss) (In Millions)		Percent Change	Number of Stores		
1990	1989			1990	1989		1990	1989		1/90	1/91	Proj. 1/92
76	70	**Trak Auto,**[1] Landover, Md.	AUTO	$ 293	$ 276	(4.2%)	($ 4.2)	$ 2.6	NA	308	331	NA
77	75	**Dress Barn,**[2] Stamford, Conn.	APP	284	249	14.1	14.0	19.0	(26.3)	436	502	577
78	113	**Office Club,** Concord, Calif.	OFFICE	281	147	91.2	3.2	(2.4)	NA	32	51	73
79	86	**Goody's Family Clothing,** Knoxville, Tenn.	APP	273	200	36.5	NA	NA	NA	90	97	111
80	73	**Warehouse Club,** Skokie, Ill.	CLUB	265	267	(0.7)	(4.0)	0.5	NA	12	10	10
81	74	**American TV,** Madison, Wis.	CE	260	250	4.0	NA	NA	NA	7	8	9
82	109	**BizMart,** Dallas, Texas	OFFICE	259	133	94.7	NA	NA	NA	31	51	79
83	61	**Consumers Distributing (U.S.),** Edison, N.J.	CAT	250	199	25.6	NA	NA	NA	87	88	95
84	88	**The Wiz,** Brooklyn, N.Y.	CE	250	200	25.0	NA	NA	NA	26	30	35
85	77	**Bill's Dollar Stores,** Jackson, Miss.	DOLLAR	250	245	2.0	NA	NA	NA	500	555	555
86	72	**Nationwise,** Columbus, Ohio	AUTO	290	270	7.4	NA	NA	NA	266	280	291
87	78	**Rich's,** Salem, Mass.	DDS	235	235	0.0	1.7	3.1	(45.2)	22	24	26
88	80	**ALCO,**[3] Abilene, Kan.	DDS	220	225	(2.2)	4.7	0.0	NA	100	100	100
89	81	**Fretter,** Livonia, Mich.	CE	217	225	(3.4)	(1.2)	4.2	NA	56	61	NA
90	82	**L. Luria & Son.,** Miami Lakes, Fla.	CAT	214	221	(3.3)	2.5	5.5	(54.5)	52	54	54
91	90	**Sportmart,** Niles, Ill.	SPORT	210	190	10.5	NA	NA	NA	24	24	26
92	91	**Clothestime,** Anaheim, Calif.	APP	209	187	11.8	0.1	0.5	NA	332	384	399
93	87	**General Auto,**[4] Renton, Wash.	AUTO	205	195	5.1	NA	NA	NA	134	139	145
94	132	**American Fare,**[5] Troy, Mich.	HYPER	200	80	150.0	NA	NA	NA	1	3	3
95	176	**Office Max,** Beachwood, Ohio	OFFICE	200	65	207.7	NA	NA	NA	11	48	100
96	149	**Click,** Akron, Ohio	DDS	199	185	7.7	NA	NA	NA	9	9	10
97	103	**Stein Mart,** Jacksonville, Fla.	DDS	195	159	22.6	NA	NA	NA	32	41	44
98	93	**Quality Stores,** N. Muskegon, Mich.	DDS	195	185	5.4	NA	NA	NA	60	63	65
99	95	**K's Merchandise,** Decatur, Ill.	CAT	180	176	2.3	NA	NA	NA	12	12	12
100	92	**Prange Way,** Green Bay, Wis.	DDS	180	189	(4.8)	NA	NA	NA	25	24	24
101	83	**Harts,** Columbus, Ohio	DDS	175	215	(18.6)	NA	NA	NA	30	25	18
102	98	**L.A. Joe's,**[6] Nitro, W. Va.	DDS	171	133	28.6	NA	NA	NA	55	71	NA
103	116	**Champs Sports,** Bradenton, Fla.	SPORT	170	120	41.7	NA	NA	NA	197	251	337
104	104	**Jack's,** Quincy, Ill.	DDS	167	149	12.1	NA	NA	NA	13	14	16
105	106	**Audio-Video Affiliates,**[7] Dayton, Ohio	CE	163	144	13.2	(1.9)	(2.6)	NA	73	90	100
106	102	**Trader Horn,** Hasbrouck Heights, N.J.	CE	160	160	0.0	NA	NA	NA	16	18	18
107	101	**Swallen's,** Cincinnati, Ohio	DDS	160	160	0.0	NA	NA	NA	9	9	9
108	100	**Gee Bee Department Stores,** Johnstown Pa.	DDS	160	160	0.0	NA	NA	NA	17	17	17
109	105	**Stuarts,** Hopkinton, Mass.	DDS	148	150	(1.3)	(5.6)	(0.5)	NA	23	20	20
110	108	**The Andersons,** Maumee, Ohio	DDS	136	130	4.6	NA	NA	NA	6	6	6
111	110	**Gibsons Discount Centers,**[8] Dodge City, Kan.	DDS	135	125	8.0	NA	NA	NA	32	32	34
112	124	**Academy,** Houston, Texas	SPORT	135	97	39.2	NA	NA	NA	25	27	31
113	NR	**BrandsMart USA,** Miami, FL.	CE	134	100	34.0	NA	NA	NA	1	1	3
114	114	**G.I. Joe's,** Wilsonville, Ore.	DDS	133	123	8.1	NA	NA	NA	13	14	14
115	112	**Grandpa Pidgeon's,** Bridgeton, Mo.	DDS	130	130	0.0	NA	NA	NA	9	9	10
116	146	**Sports Unlimited,** Tampa, Fla.	SPORT	112	59	89.8	7.0	5.3	32.1	11	18	24
117	137	**One Price Clothing Stores,** Spartanburg, S.C.	APP	110	79	39.2	7.1	2.9	144.8	225	295	360
118	122	**Arvey Paper & Office Products,** Chicago, Ill.	OFFICE	110	100	10.0	NA	NA	NA	36	40	43
119	123	**Tuesday Morning,** Dallas, Texas	CLOSE	107	97	11.0	7.5	6.9	8.7	114	132	149
120	143	**Sports Authority,** Fort Lauderdale, Fla.	SPORT	105	65	61.5	(3.0)	NA	NA	8	19	35
121	115	**The Present Co.**, Rochester, N.Y.	CAT	102	100	2.0	NA	NA	NA	31	32	37
122	111	**David Weis,**[9] Export, Pa.	CAT	100	130	(23.1)	NA	NA	NA	18	18	0
123	128	**Luskin's,** Baltimore, Md.	CE	100	90	11.1	NA	NA	NA	32	34	40
124	145	**Twin Valu,** Minneapolis, Minn.	HYPER	100	60	66.7	NA	NA	NA	1	2	2
125	125	**Laneco,** Palmer, Pa.	HYPER	100	95	5.3	NA	NA	NA	14	14	14
126	136	**Big Bear Plus,** Columbus, Ohio	HYPER	100	79	26.6	NA	NA	NA	4	5	11
127	121	**NBO Stores,** Fair Lawn, N.J.	APP	96	101	(5.0)	NA	NA	NA	38	39	NA
128	118	**W. Bell,**[10] Rockville, Md.	CAT	95	111	(14.1)	NA	(4.8)	NA	20	18	10
129	119	**Fred Schmid,** Denver, Colo.	CE	95	105	(9.5)	NA	NA	NA	19	20	15
130	129	**J & R Music World,** Brooklyn, N.Y.	CE	95	85	12.2	NA	NA	NA	2	2	2
131	135	**Modell's Sporting Goods,** East Meadow, N.Y.	SPORT	91	80	14.2	NA	NA	NA	31	36	37
132	142	**Carrefour,** Philadelphia, Pa.	HYPER	84	64	31.3	NA	NA	NA	1	1	1
133	127	**Building #19,** Hingham. Mass.	CLOSE	83	82	1.2	NA	NA	NA	9	9	10
134	156	**Sports Town,** Atlanta, Ga.	SPORT	82	75	9.3	NA	NA	NA	11	12	12
135	166	**Toy Liquidators,** Milwaukee, Wis.	TOY	81	65	24.8	8.7	8.6	0.9	76	96	116
136	126	**OW Office Warehouse,** Virginia Beach, Va.	OFFICE	80	23	250.2	(2.3)	(3.2)	NA	12	23	45
137	138	**Van Leunen's,** Cincinnati	DDS	80	73	9.6	NA	NA	NA	7	7	8
138	NR	**Polk Bros.,** Melrose Park, Ill.	DDS	80	100	(20.0)	NA	NA	NA	9	5	5
139	147	**50-Off Stores,** San Antonio, Texas	APP	78	57	36.8	4.2	2.1	100.0	34	46	64
140	134	**Dahlkemper's,** Erie, Pa.	CAT	76	80	(5.0)	NA	NA	NA	9	9	9
141	155	**Auchan,** Woodridge, Ill.	HYPER	75	50	50.0	NA	NA	NA	2	2	1
142	167	**HQ Office Supplies,**[11] Long Beach, Ca.	OFFICE	74	39	93.2	(31.9)	(13.3)	NA	13	14	0
143	130	**Evans,** Rockville, Md.	CAT	70	65	7.7	NA	NA	NA	10	12	12
144	141	**K & K Toys,** Norfolk, Va.	TOY	68	68	0.0	NA	NA	NA	127	132	134
145	144	**S&K Famous Brands,** Richmond, Va.	APP	67	61	9.8	2.9	4.2	(31.0)	90	101	113
146	96	**Circus World/Playland,**[12] Farmingdale, N.Y.	TOY	66	178	(62.9)	(13.9)	2.2	NA	330	5	5
147	148	**Apex,** Pawtucket, R.I.	DDS	65	60	8.3	NA	NA	NA	3	3	3
148	140	**Odd Job Trading,**[13] New York, N.Y.	CLOSE	64	58	11.3	NA	NA	NA	16	18	18
149	150	**Witmark,** Grand Rapids, Mich.	CAT	60	57	5.3	NA	NA	NA	9	9	9
150	97	**Wall to Wall Sound & Video,**[14] Cinnaminson, N.J.	CE	60	172	18.4	NA	(3.7)	NA	66	102	0
		Top 10 Totals and Averages		$106,195	$ 96,737	9.8%	—	—	—	6,149	6,484	6,540
		Top 25 Totals and Averages		$137,334	$127,142	8.0%	—	—	—	9,304	9,586	9,499
		Top 50 Totals and Averages		$157,713	$145,527	8.4%	—	—	—	17,099	18,079	16,321
		Top 100 Totals and Averages		$173,645	$159,071	9.2%	—	—	—	22,525	24,029	22,244
		Top 150 Totals and Averages		$179,054	$164,044	9.1%	—	—	—	24,441	25,885	24,245

Chain Codes: ● **DDS:** Discount Department Store ● **APP:** Off-Price Apparel Chain ● **CE:** Consumer Electronics Chain ● **CAT:** Catalog Showroom Chain ● **AUTO:** Auto Aftermarket Specialty Chain ● **CLUB:** Membership Warehouse Club ● **SPORT:** Sporting Goods Specialty Chain ● **TOY:** Toy Specialty Chain ● **DOLLAR:** Dollar Discount Chain ● **DRUG:** Drug Chain (with high percentage of general merchandise and apparel) ● **CLOSE:** Closeout Goods Chain ● **HYPER:** Hypermarket ● **OFFICE:** Office Supply Megastore ● **ELE:** Electronic Retailers ● **SMR:** Specialty Mass Retailer

Sales: *Total U.S. store volume from apparel, general merchandise, food (excludes sales from supermarket operations).*

Earnings: *Operating income (profit/loss from continuing operations, before taxes and extraordinary items), unless otherwise indicated.*

NA: Not available or Not applicable.

(   )—Loss

NR: Not ranked in that year

[1] *Trak Auto: Earnings represent net income.*

[2] *Dress Barn: Earnings represent net income.*

[3] *ALCO: Includes 81 ALCO discount stores and 19 Duckwall variety stores; filed for Chapter 11 in 1990.*

[4] *General Auto: Includes Grand Auto and Al's Auto Supply.*

[5] *American Fare: Unit in Jackson, Miss., is operated by Bruno's, Kmart's joint venture partner.*

[6] *L.A. Joe's: Currently in liquidation.*

[7] *Audio-Video Affiliates: Earnings represent net loss.*

[8] *Gibson's Discount Centers: Includes 28 company-owned Gibson's and 4 Sac's stores.*

[9] *David Weiss: Liquidated in January 1991.*

[10] *W. Bell: In Chapter 11.*

[11] *HQ Office Supplies: Sold all its U.S. stores to Staples and BizMart in first quarter of 1991.*

[12] *Circus World/Playland: Parent Greenman Bros. sold 330 Circus World stores to Melville Corp. (Kay-Bee) in August 1990.*

[13] *Odd Job Trading: Includes Odd Job, Peddlers Mart, Just Closeouts and The Closeout Store.*

[14] *Wall to Wall Sound & Video: Liquidated during first half of 1990.*

Source: DSN research

Wal-Mart Pushes Past Kmart to Reach No. 1 Position in Discounting

If this were the Ol[illegible]cs, race officials wou[illegible] demand a steroid test.

In just seven years, Wal-Mart has closed Kmart's seemingly insurmountable $14 billion lead in discount store sales to become the nation's largest discounter.

Wal-Mart's discount store division racked up an impressive 21.5% sales gain in 1990, topping $25 billion in annual sales, and passing Kmart, which logged a 1.5% gain to $24.8 billion.

Target is the only other discounter within striking distance of the Big Two. The upscale discounter completed a strong lap last year, achieving an 8.8% sales gain to $8.2 billion in sales.

As a group, the discount department store segment of the discount retail industry experienced a 6.4% sales increase last year, despite the recession. They achieved that sales gain on a base of 31 net fewer stores.

As each of the Big Three discounters enter their 30th year, they have achieved an unprecedented position of dominance in the discount retail market. Excluding the $5.6 billion in sales gained by Wal-Mart, Kmart and Target in 1990, the remaining 46 top discount chains actually lost about $600 million in sales last year. In 1990, the Big Three rang up nearly 70 cents out of every $1 worth of merchandise sold in a discount store.

> ***Target is the only discounter within striking distance of Wal-Mart and Kmart, with perhaps, the most potential to be the strongest growth retailer of the '90s***

In the process of taking the discount store sales leadership from Kmart last year, Wal-Mart was the industry pacesetter in other ways, too. It continued to be a leader in forging strong partnerships with its vendors, evidenced by the opening of its second vendor store in Charlotte, N.C., and by its push to electronically transmit sales data and purchase order to its suppliers.

The Bentonville, Ark.-based chain also took a leadership role on the environmental issue, encouraging manufacturers to make improvements in their products and packaging, and setting up recycling centers at many of its stores.

Among other noteworthy developments: Wal-Mart began testing vision centers, added a private label tool line, and expanded into California and Pennsylvania.

Through all the rapid expansion, the most amazing aspect of Wal-Mart's rise to the top of the discounter list is its ability to keep its employees motivated and focused on serving the customer.

If Wal-Mart has been on a relentless mid-race drive, Kmart appears to have coasted the last few laps in preparation for a furious kick of its own. At the Troy, Mich.-based retailer, corporate attention has returned to the discount store base. Last year, Kmart embarked upon a $2.3 billion modernization program, scheduled for completion by 1995, unveiled a new logo designed to update its image and began rolling out its prototype store of the '90s. An exclusive *DSN* research study on the new store prototype in two markets (Detroit and Virginia Beach) found that consumers liked the new prototype and planned to spend an average of 50% more in the new stores.

Such results suggest that if Kmart sticks to its refurbishment schedule, it will be more than a match for Wal-Mart in the coming years.

Another positive development last year was Kmart's completion, one year ahead of schedule, of its POS/satellite system. The communications network makes the retailer more efficient and enables Kmart's charismatic chairman Joe Antonini to communicate his "vision" quickly to the chain's 350,000 employees.

With its relatively smaller store count base, Target perhaps has the most potential to be the strongest growth retailer of the '90s. Like its two bigger competitors, Target also did more than its share to increase the public's and its suppliers' awareness of the earth's environmental problems. It sponsored a club called Kids for Saving Earth and won the 1990 DISC (Discounters in Service to the Community Award), sponsored by *DSN*, for its role in community service.

Target continued to be an innovator in merchandising in 1990. The Minneapolis-based discounter was cited at the Licensing Show for its effective use of licensed properties in its stores; its roll out of the second generation of its Country Estates coordinated bed & bath program; and unveiling new exclusive apparel lines

(Continued on page 71)

Top Full-Line Discount Stores

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1990	**1989**		**1/90**	**1/91**	**Proj. 1/92**	
Wal-Mart[1], Bentonville, Ark.	$25,156	$20,702	21.5%	1,402	1,573	1,733	71
Kmart[2], Troy, Mich.	24,772	24,406	1.5	2,194	2,205	2,265	65
Target, Minneapolis, Minn.	8,180	7,520	8.8	401	420	463	99
Ames, Rocky Hill, Conn.	3,100	4,800	(35.4)	682	455	455	80
Fred Meyer, Portland, Ore.	2,480	2,284	8.6	125	120	122	129
Hills[3], Canton, Mass.	2,140	2,075	3.1	208	214	154	82
Bradlees, Braintree, Mass.	1,771	1,751	1.1	130	130	130	72
Caldor, Norwalk, Conn.	1,766	1,567	12.7	118	122	126	90
ShopKo, Green Bay, Wis.	1,737	1,556	11.6	98	104	120	87
Rose's, Henderson, N.C.	1,525	1,508	1.1	259	256	237	43
Venture, O'Fallon, Mo.	1,420	1,045	35.9	75	79	84	100
Jamesway, Secaucus, N.J.	896	855	4.8	134	134	124	57
Fedco, Santa Fe Springs, Calif.	701	685	2.3	9	9	9	170
Smitty's, Phoenix, Ariz.	678	755	(10.2)	24	24	25	110
Pamida, Omaha, Neb.	664	619	7.3	170	177	185	30
Lechmere, Woburn, Mass.	627	650	(3.5)	18	18	20	75
Value City, Columbus, Ohio	538	430	25.1	48	53	54	80
Alexander's, New York, N.Y.	460	463	(0.6)	11	12	NA	NA
Fishers Big Wheel[4] New Castle, Pa.	450	450	0.0	100	87	89	45
Clover, Philadelphia, Pa.	425	410	3.7	23	24	25	86
Bi-Mart, Eugene, Ore.	315	315	0.0	41	43	NA	30
Ann & Hope, Cumberland, R.I.	300	292	2.7	6	6	6	100
Rich's, Salem, Mass.	235	235	0.0	22	24	26	60
ALCO[5], Abilene, Kan.	220	225	(2.2)	100	100	100	30
Click, Akron, Ohio	199	185	7.7	9	9	10	130
Stein Mart, Jacksonville, Fla.	195	159	22.6	32	41	44	40
Quality Stores N. Muskegon, Mich.	195	185	5.4	60	63	65	17
Prange Way, Green Bay, Wis.	180	189	(4.8)	25	24	24	60
Harts, Columbus, Ohio	175	215	(18.6)	30	25	18	70
L.A. Joe's[6], Nitro, W.Va.	171	133	28.6	55	71	NA	43
Jack's, Quincy, Ill.	167	149	12.1	13	14	16	60
Swallen's, Cincinnati, Ohio	160	160	0.0	9	9	9	134
Gee Bee Department Stores Johnstown, Pa.	160	160	0.0	17	17	17	70
Stuarts, Hopkinton, Mass.	148	150	(1.3)	23	20	20	60
The Andersons, Maumee, Ohio	136	130	4.6	6	6	6	125
Gibsons Discount Centers[7] Dodge City, Kan.	135	125	8.0	32	32	34	40
G.I. Joe's, Wilsonville, Ore.	133	123	8.1	13	14	14	55
Grandpa Pidgeon's Bridgeton, Mo.	130	130	0.0	9	9	10	65
Gem of Hawaii, Honolulu	85	78	9.0	5	5	6	77
Polk Bros., Melrose Park, Ill.	80	100	(20.0)	9	5	5	43
Van Leunen's, Cincinnati, Ohio	80	73	9.6	7	7	8	73
Apex, Pawtucket, R.I.	65	60	8.3	3	3	3	150
Sky City[8], Asheville, N.C.	60	120	(50.0)	57	20	0	NA
Goldblatt Department Stores Chicago, Ill.	59	52	12.8	12	11	13	45
Magic Mart, Bluefield, Va.	45	45	0.0	16	16	16	39
Shoppers World, Oak Park, Mich.	27	27	0.0	8	8	9	45
Union Hall, Rockford, Ill.	24	23	4.3	2	2	2	85
The Fair Co., Worcester, Mass.	13	13	0.0	8	7	7	NA
Globe, Methuen, Mass.	12	12	0.0	5	5	5	36
Total:	$83,390	$78,394	6.4%	6,863	6,832	NA	—

[1] *Wal-Mart: Discount stores only.*
[2] *Kmart: U.S. Kmart stores only; Sales include 49% of Meldisco footwear departments.*
[3] *Hills: In Chapter 11.*
[4] *Fishers Big Wheel: 1990 figures exclude sales from 18 closed stores.*
[5] *ALCO: Includes 81 ALCO discount stores and 19 Duckwall variety stores; filed for Chapter 11 in 1990.*
[6] *L.A. Joe's: Currently in liquidation.*
[7] *Gibson's Discount Centers: Includes 28 company-owned Gibson's and 4 Sac's stores.*
[8] *Sky City: Chain has been liquidated.*

( )—Loss *NA: Not available*

Source: DSN research

Top 5 Dominate Fast-Growing Clubs Segment

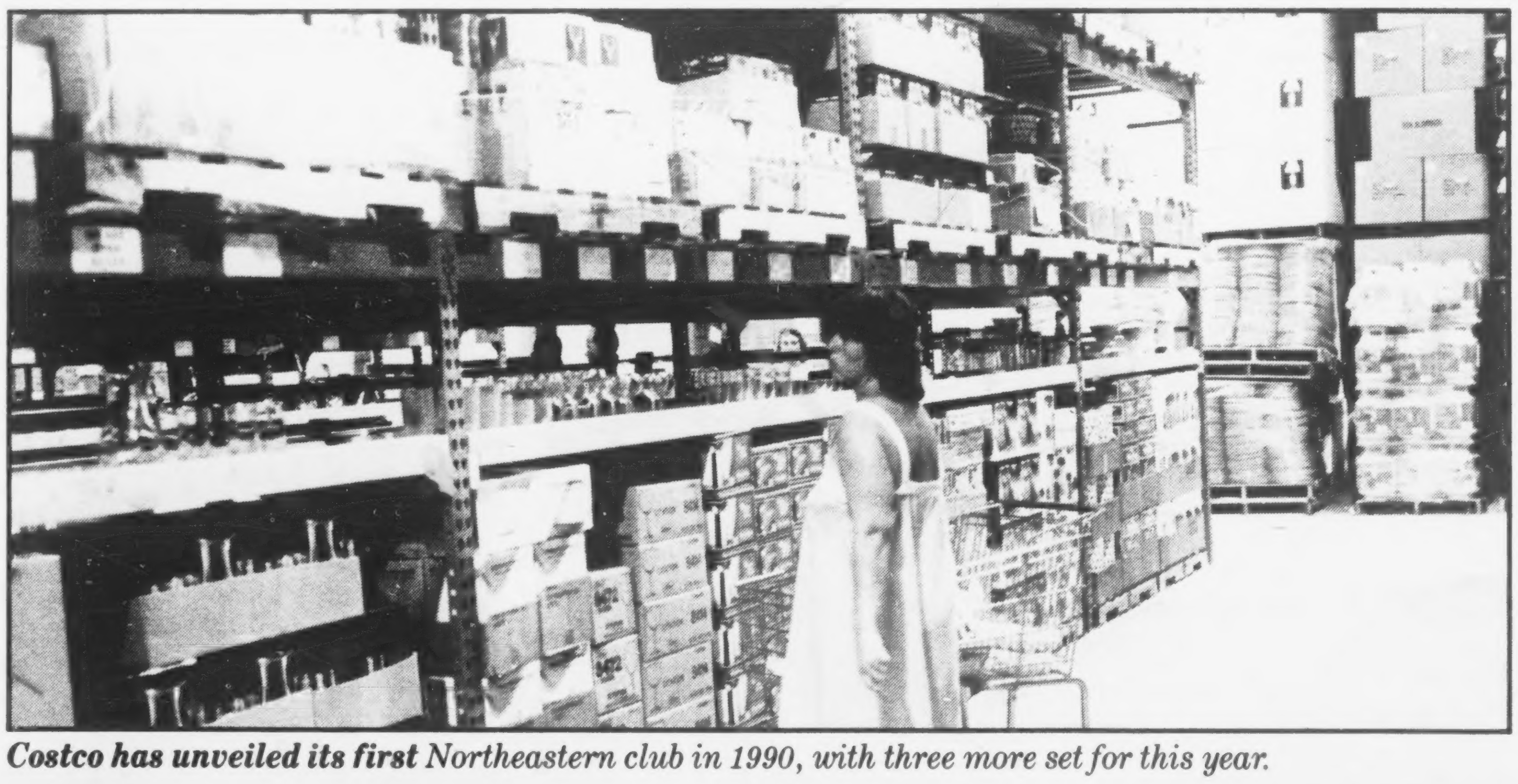
Industry Consolidation of Warehouse Clubs Whittles Down Total to Five Key Players

Top Membership Warehouse Chains

Chain	Sales (In Millions) 1990	Sales (In Millions) 1989	% Change	Number of Stores 1/90	Number of Stores 1/91	Number of Stores Proj. 1/92	Average Store Size (000 Sq. Ft.)
Sam's Bentonville, Ark.	$6,579	$4,841	35.9%	123	148	201	115
Price Club San Diego, Calif.	5,300	4,900	8.2	53	66	76	110
Costco Kirkland, Wash.	4,100	2,900	41.4	58	69	80	120
Pace Englewood, Colo.	2,295	1,700	35.0	47	78	115	100
BJ's Wholesale Club Natick, Mass.	1,150	985	16.8	23	27	33	105
Price Savers[1] Salt Lake City, Utah	850	685	24.1	14	17	0	100
The Wholesale Club[2] Indianapolis, Ind.	726	570	27.4	23	28	0	105
Warehouse Club Skokie, Ill.	265	267	(90.7)	12	10	10	100
Wholesale Depot Natick, Mass.	50	10	400.0	2	2	6	60
Total:	$21,315	$16,858	26.4%	355	445	521	

[1] Price Savers: Acquired by Pace in December 1990.
[2] The Wholesale Club: Acquired by Wal-Mart for Sam's Club in February 1991.

Source: DSN research



***Costco has unveiled its first** Northeastern club in 1990, with three more set for this year.*

***Wholesale Depot, Erie, Pa.,** will open four of its smaller-sized clubs this year.* (DSN photos)

The membership warehouse industry juggernaut continues to roll on, with no slowing down in sight.

The industry should maintain the torrid growth of the past half decade and pass the $25 billion sales level this year as 76 new clubs come on line.

The explosive sales growth reflects the maturing of the 53 clubs opened last year on top of the 81 unveiled in 1989. These 134 units represent 30% of the stores in operation at the start of 1991.

This growth came earlier this year as the industry entered its final consolidation stage, which saw the number of membership warehouses narrowed down to five major players, with sales ranging from $1.1 billion to $6.6 billion, and two regional micro operations. As recently as two years ago, there were 11 chains.

The latest whittling down of companies entailed the nation's leading discounters, Wal-Mart and Kmart, using their deep pockets to acquire smaller membership warehouses for their wholesale club chains.

Wal-Mart acquired The Wholesale Club to strengthen the expansion of Sam's Club, the industry's leader in sales and stores, into the Midwest. The move marked Sam's entry into Minnesota while augmenting its presence in five states: Michigan, Indiana, Ohio, Wisconsin and Illinois.

The Midwest had been a membership warehouse desert, with Sam's and the Wholesale Club the dominant chains. Sam's had 30 clubs in nine states while the Wholesale Club had 28 stores in six Upper Midwest states. The other players included Pace Membership Warehouse with 20 units in six states, the Price Club with its initial move into the region with a duo in Colorado and the Warehouse Club, a micro operation with 10 clubs scattered in six markets.

Pace, a Kmart division, meanwhile acquired Price Savers to further its growth in Southern California while also marking the chain's entry into four other Western states: Alaska, Arizona, Utah and Washington. Pace is also augmenting its presence in the Midwest by opening seven stores, including three in Chicago and its first in St. Louis.

The paring down of players results in the five chains, Sam's and Pace, along with the Price Club, Costco Wholesale and BJ's Wholesale Club, accounting for 98.5% of the industry's volume, with their share likely to continue to grow larger.

The consolidation wasn't the only significant activity in the industry. Other noteworthy endeavors included:

- **Northeast expansion.** Sam's and Costco's move into the relatively under-membership warehoused Northeast, the home base of BJ's with 19 of its 27 clubs there. Price, with 12 units, and Pace, with nine stores, will also have a regional presence.

Sam's last year opened four clubs in the Northeast and plans to add at least 18 more by the end of 1992 as part of its drive to become the industry's first national chain.

Costco, meanwhile, unveiled its first Northeast club last year, with three more set for this year.

All told the Northeast region composed of New England and the Middle Atlantic States could be home to about 50 clubs by the end of next year, a count that's still less than the six dozen in California alone run by just the Price Club, Costco and Pace.

- **Wal-Mart/Sam's combos.** Wal-Mart plans to open Sam's adjacent to Wal-Mart discount stores wherever possible. The combination is expected to capture the greater amount of sales possible in a market through the joint appeal to businesses via Sam's and to the traditional consumer needs of business owners, along with other shoppers, through the Wal-Marts.

Wal-Mart has already unveiled about three dozen Wal-Mart Sam's combos, with a dozen opening last year.

- **Price Club accelerates growth.** Price Club has stepped up its expansion to keep pace with the growth of competitors. In the past, Price Club, which fathered the membership warehouse concept, had tended to open much fewer stores than other chains, resulting in its fall from being No. 1 in sales in 1989 to No. 2 this year.

The company has been focusing on obtaining the highest sales possible from a club, with its units averaging over $100 million each and some hitting $175 million to $200 million. The result has been higher volume than all competitors but Sam's. Speeding up expansion should enable the Price Club to keep pace with Sam's sales growth.

The company's drive to maintain its leadership status includes entering its second foreign market, Mexico, through a joint venture with Comercial Mexicana, which is eyeing opening its first south of the border club late this year or early in 1992. Price already has clubs in Canada.

Price plans to add 11 clubs this year, down slightly from 13 last year, but will rev up its expansion in 1992 as stores are opened on sites signed up this year. This growth could include Price's move into the Midwest, where it doesn't have any units.

- **Price targets Canada.** Price bought out its Canadian partner to take over complete operation of Price Club Canada. The move enables the membership warehouse to execute a uniform merchandising program in the United States and Canada. (Costco operates its own clubs in Canada.)
- **Expanded merchandise and services.** All the clubs are testing new categories and services. These include: fresh meats, deli and produce and scratch bakeries to augmented the merchandise mix and pharmacy, optical, travel, long-distance phone and discount auto buying as services.

Service Merchandise Strong in Troubled Market

The catalog showroom industry is fractured into four parts, the divisions denoting the starkly different fortunes of the various chains.

The first level is the industry's leading success story, Service Merchandise, the $3.4 billion almost national cataloger with 346 showrooms in 36 states. It accounts for almost half of the industry's sales.

The next grouping makes up the heart of the industry. It's composed of about a dozen regional and local catalogers (some didn't make *DSN*'s chart of top chains because their sales were under $28 million) that continue to strive to be viable.

The third group is made up of about a half dozen smaller operators whose sales have been declining—some have even closed showrooms—as they search for a formula for success. This year, three catalogers—E.H. Tepe, Wilbro and Andersons—fell into this category and closed down to avoid further financial problems and the need to file bankruptcy. This move enabled them to determine their future before financial lenders and manufacturers forced their hand.

Lastly, two catalogers, Best Products—once the leading chain that still accounted for over a quarter of the industry's sales last year—and W. Bell are in Chapter 11 and have shut showrooms as they attempt to reorganize their operations. Earlier this year, David Weis, once a strong regional cataloger, liquidated after filing Chapter 11 (in 1990), while Jewelcor Merchandising closed all but one showroom as part of its reorganization.

The industry's sharp splintering last year revived questions that have been voiced in the past about the viability of the showroom concept. The success of some catalogers, as well as the failure of others, indicates that the financial strength of a company and its execution are the keys to survival—just as is the case for retailers in other segments like the toy and CE fields.

The industry's image problem was compounded by a number of factors that contributed to stagnant sales at many catalogers and the failure of a number of chains. These included the recession which cut sales of high-profit jewelry, the downturn in the CE business, a major category, and more competition from major discounters like Kmart, Wal-Mart and Target. The latter two, in particular, have expanded into many new markets presenting competition to a number of regional chains.

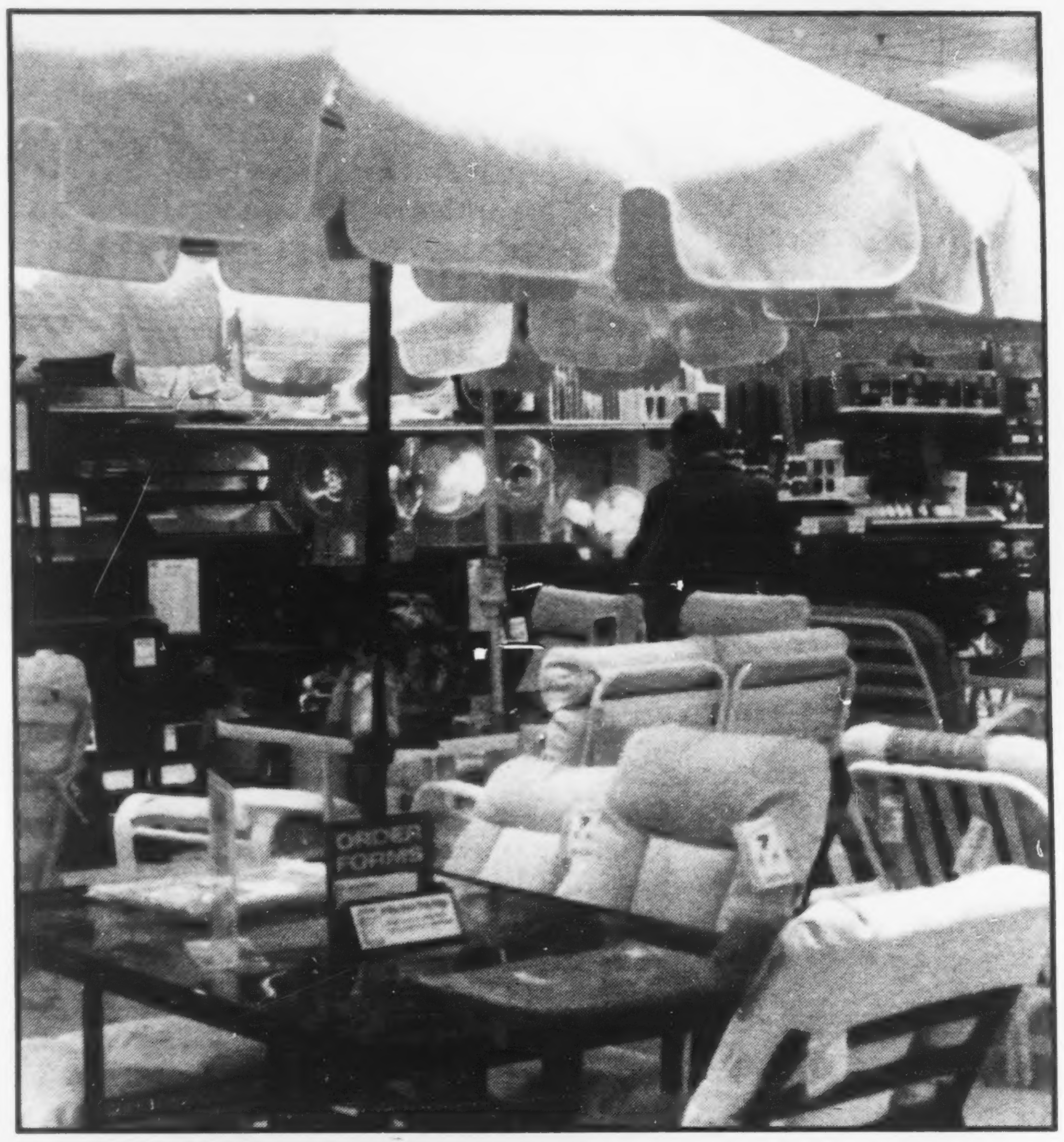
Service Merchandise learned the lesson of straying from its core catalog business in the '80s when it digressed, unsuccessfully, into the warehouse home center and toy and computer specialty store arenas. Once the cataloger refocused on its showrooms, including retaining its large annual book, it has pursued merchandising and operational programs that have honed its execution while strengthening its relationship with its customers.

These efforts include using technology like in-store customer operated order terminals and computerized mailing lists to speed up catalog shopping while tracking its customers to target its merchandise mix to their buying. At the same time, it has used satellite communications, environmental control systems and computerized warehouses to lower operational costs to compete with discounters and other sharp-priced retailers.

Best Products, however, experimented with different sized catalogs and even tried to develop a specialty mail order business. Failure to execute the basic catalog concept was compounded by a leveraged buyout that exploded its debt. The result was its Chapter 11 filing earlier this year. The key to Best Products' recovery plan is a return to its showroom heritage, including again publishing a large catalog marketed to its customers.

Consumers Distributing was the only cataloger to record double digit sales gains. This reflects the financial and operational support from its parent, Semi-Tech Global, a Hong Kong-based consumer products conglomerate that has positioned the cataloger as the U.S. marketer for its merchandise. Semi-Tech Global's consumer products brands include Singer and Emerson, while the conglomerate is also parent of the Singer retail chain that has over 1,000 company-owned stores and over 14,000 other outlets like franchised dealers and door-to-door salesmen worldwide.

The successful smaller catalogers, meanwhile, have developed a variety of programs to compete against larger chains. This includes being more responsive to local merchandising trends and providing more customer service than is found in other retailers as the key to retaining shoppers.



In its attempt to re-emerge from Chapter 11, *Best Products will return to its showroom heritage and once again publish a catalog.*

The industry's success story: *Service Merchandise moved into a new headquarters building in Nashville, Tenn.* (DSN photos)

Top Catalog Showroom Chains

Chain (Coordinator)	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1990	1989		1/90	1/91	Proj. 1/92	
Service Merchandising Nashville, Tenn. (Independent)	$3,400	$3,300	3.0%	334	346	361	50
Best Products[1] Richmond, Va. (Indendent)	1,800	2,100	(14.3)	194	195	171	50
Brendles Elkin, N.C. (MAI)	311	277	12.4	45	57	59	48
Consumers Distributing Edison, N.J. (Independent)	250	199	25.6	87	88	95	12
L. Luria & Son Miami Lakes, Fla. (Independent)	214	221	(3.3)	52	54	54	26
K's Merchandise Decatur, Ill. (Paul Schultz)	180	176	2.3	12	12	12	75
The Present Co. Rochester, N.Y. (MAI)	102	100	2.0	31	32	37	NA
David Weis[2] Export, Pa. (MAI)	100	130	(23.1)	18	18	0	NA
W. Bell[3] Rockville, Md. (Independent)	95	111	(14.1)	20	18	10	12
Dahlkemper's Erie, Pa. (Paul Schultz)	76	80	(5.0)	9	9	9	55
Evans Jewelers & Distributors Rockville, Md. (MAI)	70	65	7.7	10	12	12	55
Witmark Grand Rapids, Mich. (MAI)	60	57	5.3	9	9	9	NA
Sterling Jewelry Dallas, Texas (Paul Schultz)	52	55	(5.5)	5	4	4	46
Folands Livonia, Mich. (Associated Charter)	40	40	0.0	6	6	6	NA
E.H. Tepe[4] South Bend, Ind. (Paul Schultz)	39	45	(13.1)	10	10	0	45
Brand Names Tonawanda, N.Y. (Independent)	34	32	6.3	15	16	16	NA
Goldbro Jewelers Birmingham, Ala. (Associated Charter)	33	40	(17.5)	8	8	8	NA
Arthur's Jewelers Plainfield, N.J. (MAI)	31	50	(37.5)	8	5	5	NA
Fred P. Gattas Memphis, Tenn. (MAI)	28	30	(83.3)	6	6	6	105
Total:	$6,915	$7,107	(2.7%)	879	905	874	—

[1] Best Products: In Chapter 11.
[2] David Weiss: Liquidated in January 1991.
[3] W. Bell: In Chapter 11.
[4] E.H. Tepe: Going out of business.
( )-Loss NA: Not available

Source: DSN research

Maxx Vies With Marshalls for Off-Price Crown

Filene's Basement, One-Price Clothing, 50-Off Stores Shine; Others Struggle

Junior Sportswear
Fitting Rooms
7.99-8.99

Marshalls, East Meadow, N.Y.: *The chain continued revamping its stores to its larger prototype.* (DSN photo)

Apparel off-pricers felt the pangs of the recession in 1990. Sales overall slowed and two of the top 16 off-pricers reported a decrease in sales.

A Christmas season that failed to materialize added to poor performances fueled by the same lack of fashion initiative reported in 1989.

While much of the blame has been placed on a difficult women's wear market, two men's apparel chains, NBO and S&K Famous Brands also had a lackluster year.

Even some retailers that on the surface reported increased sales admitted decreased operating income and lower comparable store sales.

NBO, the men's wear retailer based in Secaucus, N.J., reported a 5% decrease in sales. The chain opened only one store in 1990, and has no immediate plans for further openings in 1991.

Comp stores sales for Ross Stores, Newark, Calif., were down by 3%. Earnings for the firm went from $47.2 million in 1989, to $25.2 million in 1990.

Earnings for S&K Famous Brands, went from $4.2 million in 1989 to $2.9 million in 1990 and also reported 3% decrease in comp store sales.

Net income for Dress Barn, Stamford, Conn., went from $19 million in 1989 to $14 million in 1990.

Clothestime, Anaheim, Calif., which last year looked like it recovered from a difficult 1988, again reported decreased earnings. Net income for 1990 was only $78,000; compared to $461,000 in 1989.

The chain did have a sale increase of 11% and continued to expand. It opened 50 stores during 1990 and a few months ago announced a new venture: its first Trend Club store. Though similar in merchandise, the company said the new retail operation was intended specifically for factory outlet malls.

These less than spectacular results may have spurred the more recent personnel shifts that were as popular a pastime with apparel off-pricers as in other retail sectors.

Most notably, Francis Arnone, former president of Marshalls, bid farewell to the Northeast chain. Thomas Unrine, former president of Hit or Miss, left that TJX division as it hit murky waters. Brian Woolf, former president of One Price Clothing, also moved on.

Arnone's departure at Marshalls caused the most speculation in this market. As the two leaders in the off-price apparel category, the competition between T.J. Maxx and Marshalls, is a chess match closely watched.

In 1990, T.J. Maxx edged its way closer to the top of the off-pricers list. Better comp store sales, which analysts say may have been a result of better buying decisions, helped T.J. Maxx maintain a stronghold in its markets.

Richard Baum, analyst with Bernstein Research, New York, was not ready to sound a deathwatch for Marshalls just yet. "They are making some structural changes that will put them back on the right footing," he said. "I expect that by fall they will name a new president."

Both chains experimented with larger-store prototypes last year, and are continuing to open both regular size and larger size formats. T.J. Maxx reported that 10 of the projected 45 stores to be opened this year will be the larger 55,000-square-foot stores.

Marshalls continued revamping its stores to new prototype formats and earlier this year began experiments with a "Designer's Back Room," where it showcased better-name labels.

While T.J. Maxx prospered, another TJX Co. division faltered. Hit or Miss did not fare too well in 1990, losing

(Continued on page 74)

Top Off-Price Apparel Chains

Chain	Sales (In Millions) 1990	Sales (In Millions) 1989	% Change	Number of Stores 1/90	Number of Stores 1/91	Number of Stores Proj. 1/92	Average Store Size (000 Sq. Ft.)
Marshalls Andover, Mass	$2,183	$1,939	12.6%	347	386	411	30
T.J. Maxx Framingham, Mass.	1,900	1,600	11.8	352	393	438	25
Burlington Coat Burlington, N.J.	892	779	14.5	146	159	171	60
Ross Stores Newark, Calif.	804	741	8.5	156	185	205	29
Kids "R" Us Paramus, N.J.	580	475	22.1	137	164	191	20
Filene's Basement Wellesley, Mass.	400	358	11.8	25	32	38	20
Loehmann's Bronx, N.Y.	396	387	2.3	73	77	NA	13
Hit or Miss Framingham, Mass.	387	400	(3.3)	546	574	579	4
Syms Secaucus, N.J.	314	301	4.3	27	27	28	40
Dress Barn Stamford, Conn.	284	249	14.1	436	502	577	4
Goody's Family Clothing Knoxville, Tenn.	273	200	36.5	90	97	111	25
Clothestime Anaheim, Calif.	209	187	11.8	332	384	399	4
One Price Clothing Stores Spartanburg, S.C.	110	79	39.2	225	295	360	2
NBO Stores Fair Lawn, N.J.	96	101	(5.0)	38	39	NA	9
50-Off Stores San Antonio, Texas	78	57	36.8	34	46	64	20
S&K Famous Brands Richmond, Va.	67	61	9.8	90	101	113	4
Total:	$8,973	$7,914	13.4%	3,054	3,461	NA	—

NA: Not available *( )—Loss*

Source: DSN *research*

New Concepts Gain Upper Hand in CE Industry

The consumer electronics industry, buffeted as it still is by recession, underwent in 1990 its most widespread and fundamental era of change since the arrival of the superstore in the early '80s. Specifically, Circuit City and similar operations hit the skids (in strictly relative terms), with new concepts reaping unexpected dividends.

The traditional method of doing business seems to be falling by the wayside. Where once CE salesmen were advised to make a sale at any cost, the accent now is on moving product at sensible profit margins.

Retailers throughout the industry, including Silo, Newmark & Lewis, Electric Avenue and Best Buy, have removed the option of bargaining on the floor. "That's no longer a viable way of doing business," said former Silo chief executive Barry Feinberg recently. Further, most modern chains now have on-floor computers that advise salesmen of day-to-day margins.

While the economy has played a major role in the declining fortunes of some CE specialists, changing consumer expectations seem to have played a greater role. Some factors that consumers plainly don't like anymore: salespeople who won't let shoppers browse in peace, heavy price orientation in advertising, anything that even vaguely resembles bait-and-switch (including out-of-stocks), hard sell on extended warranties and long lines or inconvenient procedures at checkout. And, larger, better stocked stores seem to be the order of the day.

To no one's surprise, the chains that have addressed all or most of these concerns are prospering. Best Buy, BrandsMart USA and The Good Guys, in particular, turned in stellar performances despite a truly lackluster fourth quarter. Others, like Luskin's, Fretter and The Wiz have all made considerable strides in the past year.

The saving graces for 1990 were unquestionably compact camcorders, home office and larger screen televisions, with compact disc players and VCRs still strong products. Video game systems and software cooled slightly, but remained substantial sellers, and audio components crept back into the black. A relatively cool summer, however, clipped air conditioner sales (particularly in comparison to 1989, which was torrid), and most other product areas were flat.

And, despite clearly recessionary conditions, the American consumer came through at Christmas. During the final week, camcorders, computers, video game systems, large screen televisions and other large ticket items moved off shelves at a record pace, as did the software and accessories to support them. Some retailers reported massive out-of-stocks in some areas, notably computers and camcorders, due to gloomy pre-Christmas inventory planning.

Most CE retailers have positioned themselves well for growth in the 1990s. Notably, most have turned themselves into effective home office and small business sources, a trend that will continue to grow as major brand names like IBM and Apple become available to retailers. While office supply superstores might have an edge here, there are a lot more consumer electronics stores in major markets and CE specialists should continue to build their office products businesses.

However, there will probably be a declining number of CE superstores in the future. Two New Jersey chains, Wall to Wall Sound and Brick Church, disappeared last year and Highland Superstores, until recently the second largest national chain, has closed more than half of its 93 stores, and is seeking a buyer for the remaining 40. Other chains are closing unproductive stores and very few retailers plan meaningful expansion in the coming year.

Even if the economy does bounce back, the emphasis in the industry has changed from dominating a market to making existing units more productive. Retailers are struggling to keep inventories in line; in 1989, many were overinventoried while in 1990, inventories at Christmas were often inadequate. Striking a balance has become crucial to future profitability.

In terms of products, there is very little on the immediate horizon. Technologies like Sony's Mini Disc system and Philips' CD-I are at least a year away from meaningful sales, and HDTV's commercial future is still up in the air as industry and government struggle to develop uniform standards. A so-far hot summer has stimulated air conditioning sales, but at the same time, camcorder sales seem to have peaked.

The major growth area for the near term is home office, where technology has matured to the point that consumers reluctant to buy a computer that might be out-of-date by the time they get it home could be tempted into the market in the second half.

Overall, this will be a year of watching costs, cleaning up inventories and crossing fingers.

Top Consumer Electronics Specialty Chains

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1990	1989		1/90	1/91	Proj. 1/92	
Circuit City Richmond, Va.	$2,380	$2,100	13.3%	170	192	NA	25
Silo Philadelphia, Pa.	910	900	1.1	220	235	250	17
Highland Superstores Taylor, Mich.	800	924	(13.4)	93	93	40	24
Best Buy Minneapolis, Minn.	665	512	29.9	49	58	68	20
Newmark & Lewis Hicksville, N.Y.	400	246	62.6	50	98	105	14
Tops Appliances Edison, N.J.	380	365	4.1	3	3	4	50
The Good Guys San Francisco, Calif.	294	195	50.8	21	30	38	12
American TV Madison, Wis.	260	250	4.0	7	8	9	80
The Wiz Brooklyn, N.Y.	250	200	25.0	26	30	35	12
Fretter Livonia, Mich.	217	225	(3.4)	56	61	NA	15
Audio-Video Affiliates Dayton, Ohio	163	144	13.2	73	90	100	NA
Trader Horn Hasbrouck Heights, N.J.	160	160	0.0	16	18	18	15
BrandsMart USA Miami, Fla.	134	100	34.0	1	1	3	NA
Luskin's Baltimore, Md.	100	90	11.1	32	34	40	10
J & R Music World Brooklyn, N.Y.	95	85	12.2	2	2	2	200
Fred Schmid Denver, Colo.	95	105	(9.5)	19	20	15	12
Wall to Wall Sound & Video[1] Cinnaminson, N.J.	60	172	(65.1)	102	66	0	10
Brick Church[2] Orange, N.J.	25	80	(68.8)	40	40	0	10
Total:	$7,388	$6,853	7.8%	980	1,079	NA	—

[1] Wall to Wall Sound & Video: Liquidated during first half of 1990.

[2] Brick Church: Acquired by Newmark & Lewis in 1990.

( )—Loss *NA: Not available.*

Source: DSN research

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Recession Plays It Rough With Toy Retailers

Last year was so tough in the toy business that even Toys "R" Us earned less money than the year before.

Toys "R" Us recorded a 10.5% decline in operating income in 1990 compared to 1989, a stunning result for one of the nation's most prosperous and imitated retailers.

But 1990 was one of the toughest years in memory, not only for toy retailers and manufacturers, but for everyone.

The Persian Gulf war coupled with a national recession clobbered all kinds of businesses. Christmas sales were disappointing. Almost no one escaped unscathed.

Toys "R" Us, the giant in the toy business and one of the nation's largest retailers with 1990 U.S. toy store sales of $4.18 billion, said sales for its fourth quarter fell 6%. The critical eight-week Christmas season was so poor that company chairman Charles Lazarus proclaimed the holiday season "one of the most difficult we have seen in recent years."

Despite this, Toys "R" Us had a cakewalk compared to other specialty toy retailers, most notably Child World and Lionel, which recently filed Chapter 11 bankruptcy for the second time in nine years.

A troubled chain by every measurement, Child World's fate is still hanging in the balance. The outcome, which includes new owners, management and financing arrangements, will undoubtedly affect the entire industry. Its troubles certainly have.

For example, Child World's huge Christmas 1990 price-cutting program, intended to reduce bloated inventories and earn some quick cash, actually weakened other toy retailers by forcing them to cut prices to match Child World's. And Child World was unable to substantially improve its liquidity and viability as a result of the program. The stores remain heavily burdened with unsold stashes of failed merchandise programs.

Last year, Child World lost $204 million on sales of $829 million, down from $830 million in 1989. The chain slipped from second place on *DSN*'s toy list to third, behind Kay-Bee, which benefited from its 330-store acquisition of Greenman Brothers' Circus World stores last August.

Lionel, now the fourth largest toy chain, down a notch from 1989, is probably the most troubled of the toy chains due to its Chapter 11 filing. It lost $11.2 million on an operating basis on sales of $426 million. In 1989, the chain had an operating income of $525,000 on sales of $429 million.

A year ago, Lionel's losses were attributed largely to the cost of fighting off a hostile takeover by Robert L. Toussie, a move that seems to have an afterlife for the chain.

Currently, Lionel, with 100 Kiddie City and Playland stores, also has a class action suit pending against it from a number of its shareholders who felt Lionel did not adequately consider the Toussie bid.

The bad times keep on rolling. Hobby Center Toys, Holland, Ohio, apparently closed its doors shortly after the first of the year, and the special, bicoastal operating arrangements organized for Tons of Toys recently fell apart.

Bruno Ferretti, president of Tons of Toys, left the chain to run six of the stores—five in Massachusetts and one in Rhode Island—on his own under a licensing agreement with Merchants West, parent of Tons of Toys and Karl's Toys. Last year, the two chains merged under Ferretti's Tons of Toys banner, since it was the public entity.

The bright spot in an otherwise bleak 1990 was Kay-Bee Toys, which rose to second on *DSN*'s toy chain list, due to its Circus World acquisition, which gave the chain $927 million in combined sales last year.

Kay-Bee now has the greatest number of toy stores in the country, 1,116, and plans to add another 10 stores this year.

Toy Liquidators, now No. 5 with sales of $81 million in 1990, was the only chain to report a rise in operating income for the year. It was up slightly, to $8.67 million from $8.59 million in 1989. Comparable store sales rose 3.2% at the chain, which operates 96 stores.

Greenman Brothers, which nearly exited the retail toy business when it sold Circus World, left itself with five Playland stores which chairman Stanley Greenman said will eventually be expanded.

Top Toy Specialty Chains

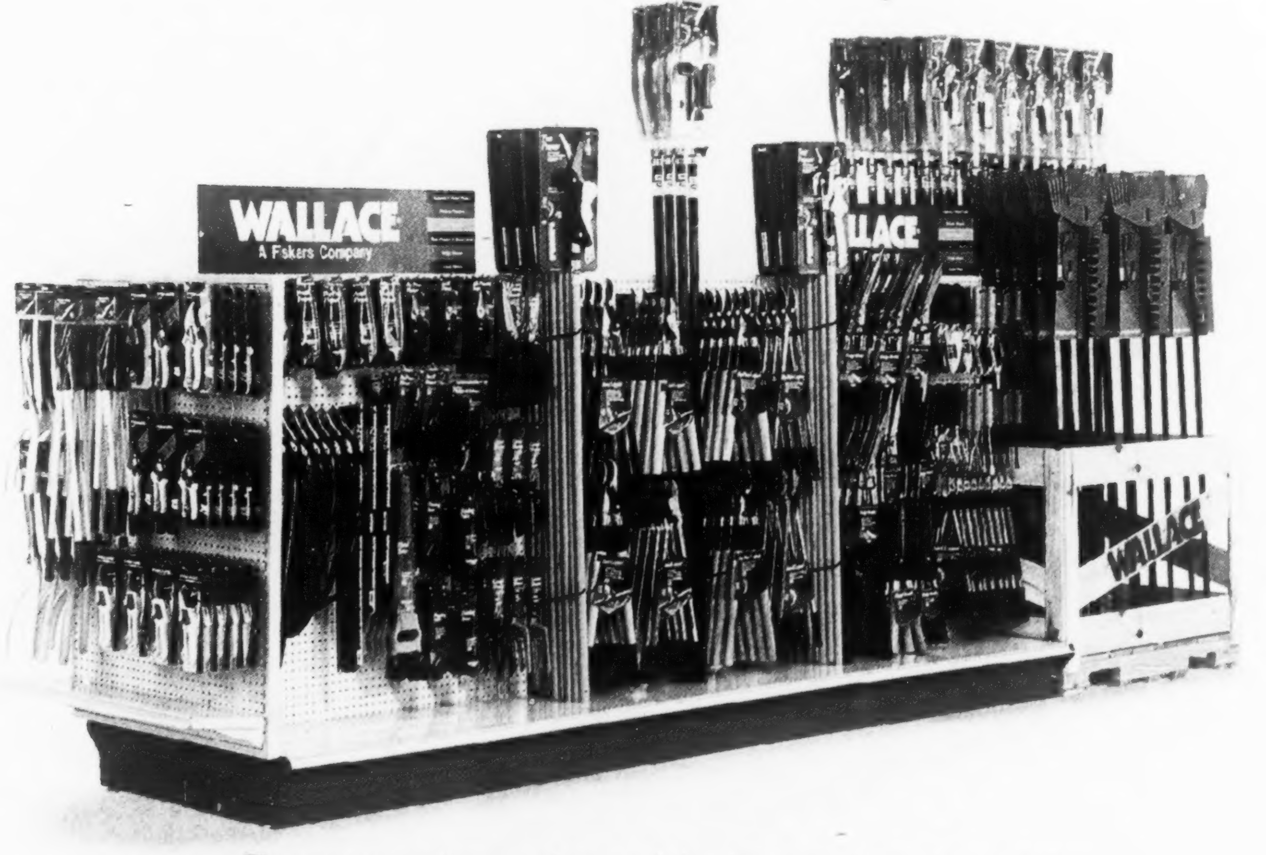
Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1990	1989		1/90	1/91	Proj. 1/92	
Toys "R" Us Rochelle Park, N.J.	$4,180	$3,640	14.8%	404	451	498	46
Kay-Bee Pittsfield, Mass.	927	724	28.1	777	1,116	1,126	4
Child World Avon, Mass.	829	830	(0.1)	182	182	160	36
Lionel Kiddie City Philadelphia, Pa.	426	429	(0.6)	92	100	85	37
Toy Liquidators Milwaukee, Wis.	81	65	24.8	76	96	116	6
K & K Toys Norfolk, Va.	68	68	0.0	127	132	134	3
Circus World/Playland[1] Farmingdale, N.Y.	66	178	(62.9)	330	5	5	3
Karl's Toys Long Beach, Calif.	25	25	0.0	32	32	32	5
Tons of Toys Wareham, Mass.	24	26	(7.7)	28	20	20	12
Toy & Sports Warehouse White Plains, N.Y.	9	9	0.0	5	5	5	17
Toy King Orlando, Fla.	1	6	(91.7)	28	0	0	4
Total:	$6,636	$6,000	10.6%	2,081	2,139	2,181	—

[1] *Circus World/Playland: Parent Greenman Bros. sold 330 Circus World stores to Melville Corp. (Kay-Bee) in August 1990.*

( )-Loss

Source: DSN research

Silent but Deadly...



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Not Enough Bounce in '90 Sports Goods Arena

Sales Flat For the Conventional Specialty Chains as Megastores Grab the Limelight

Sporting goods—the ultimate discretionary purchase—were hit particularly hard by the recession. Traditional specialty chains in this category felt the impact, while larger megastores gained market share.

Same store sales essentially were flat, the National Sporting Goods Association concluded in its annual marketing study, while sales overall rose 3.7% in 1990. For 1991, the NSGA marketing study predicts a 4% gain.

The 11 chains that *DSN* tracks showed an aggregate sales increase of 11.3% to an estimated $2.47 billion from $2.22 billion in 1989. But much of that estimated growth came from the 7.9% increase in units, especially megastores of 40,000 square feet.

At $200 to $250 in sales per square foot, such megastores as Sports Unlimited, Sports Authority (Kmart's 1990 acquisition), Sports Town, Academy Sports and Sportmart generate sales of $8 million to $10 million.

With same store sales flat, every dollar a megastore attracts means a dollar in sales that some conventional store is losing.

Herman's, which has cast its lot with conventional stores averaging 10,000 square feet, appears to be one of the chains losing sales. It has closed a number of units in the Southeast, pulling out of Atlanta entirely, for example.

Even though owned by a public company in Great Britain, Herman's refused to disclose what its sales were in 1990, although last year it readily acknowledged that 1989 sales remained flat at $680 million. *DSN* estimated that sales slipped 7.4% to $630 million.

Its new British owners, Isosceles PLC, put the chain on the block last year but then took it off when it failed to receive an adequate offer. It announced instead that it would rejuvenate the chain by remodeling stores.

Indeed, the new Herman's in Wayne, N.J., appears to be the basis for a new prototype.

Within the sporting goods industry, the word is that Isosceles still is disenchanted with Herman's and would readily divest the chain at an acceptable price.

Oshman's, as the only public company of the 11, illustrates the sales trend. At $318 million, its sales in 1990 were flat, compared to $317 million in 1989, for a gain of 0.3%. Same stores sales fell 3.5%.

For the second year in a row, Oshman's ran a pre-tax loss, widening to $6.4 million in 1990 from $1.5 million in 1989.

Since 1988, its last profitable year, Oshman's has closed a net of 23 stores, trimming store count to 189 from 212. Over the next two years, Oshman's plans to close 17 more, including a net of five this year.

It plans no new units of its Oshman's SuperSports USA concept in 1991, compared to two last year that came in at about 80,000 square feet, bringing the total to seven.

It will open two conventional stores this year, however, and two SuperSports units in 1992.

"The positive results achieved in those stores during the past year indicate that stores of this type will play an important role in our future," Oshman's has said.

Oshman's initially launched SuperSports as a high volume, low price retailer. But to increase margins and reduce operating costs, Oshman's dropped its everyday low price policy last year for SuperSports stores in favor of Oshman's normal pricing and merchandising.

On a positive note, Oshman's has signed a licensing agreement with a group of Mexican businessmen to launch a chain of stores in Mexico.

Consolidation and reorganization, rather than expansion through acquisition, are still the watchwords at Thrifty Corp., Los Angeles, operators of the Big 5, MC Sporting Goods and Gart Bros. chains.

Its parent, which also owns Thrifty Drug stores and the Bi-Mart discount store chain, announced that it expects to lose money in 1991. Although it refuses to break out either sporting goods sales or operating profits, it hinted at problems, saying that other retail units besides drug stores "were improving their performances."

In the latest sign of stress, Thrifty has taken the 10 units of the Casey's Sports Shop chain away from its Gart Bros. division and reassigned them to MC. Industry sources report that Big 5, with 129 of the group's total of 266 units, appears to be doing well, while MC, 65 units and Gart Bros., 72 stores, are struggling.

Meanwhile, the 1990s continues to develop into the decade of the megastore. Sports Authority, Kmart's acquisition, will open 17 more of its 40,000-square-foot units by year-end, shooting store count to 36.

Next month, Sports Authority will open nine stores in four new markets: Phoenix, three; St. Louis, three; Baltimore, two; and Norfolk, Va., one.

In November, it will open six more, including two in Atlanta, another new market. It also will fill in existing markets, opening two more stores in Orlando, Fla., and one each in Washington, D.C., Jacksonville and Miami, Fla.

In 1992, Sports Authority will focus on the New York metro market as it opens 15 more units. By the fall of 1992, it expects to be operating 10 to 12 megastores in the Tri-State market of Northern New Jersey, New York and Southern Connecticut.

Top Sporting Goods Specialty Chains

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1990	1989		1/90	1/91	Proj. 1/92	
Herman's Carteret, N.J.	$630	$680	(7.4%)	266	258	264	10
Thrifty Corp.[1] Los Angeles, Calif.	600	520	15.4	256	266	274	NA
Oshman's Houston, Texas	318	317	0.3	190	189	187	12
Sportmart Niles, Ill.	210	190	10.5	24	24	26	40
Champs Sports Bradenton, Fla.	170	120	41.7	197	251	337	5
Academy Houston, Texas	135	97	39.2	25	27	31	26
Sports Unlimited Tampa, Fla.	112	59	89.8	11	18	24	40
Sports Authority Fort Lauderdale, Fla.	105	65	61.5	8	19	35	40
Modell's Sporting Goods East Meadow, N.Y.	91	80	13.8	31	36	37	15
Sports Town Atlanta, Ga.	82	75	9.3	11	12	12	50
Irving's Sport Shops Springfield, Va.	18	18	0.0	19	19	21	4
Total:	$2,471	$2,221	11.3%	1,038	1,119	1,248	—

[1] Thrifty Corp.: Operates Big 5, MC Sporting Goods, Gart Bros., Mages and Casey's Sports Stores Chains. Its fiscal year ends November 30.

( )—Loss NA: Not available.

Source: DSN research

OSHMAN'S
THE SPORTS SPECIALIST
BEATS OSHMAN'S
ATHLETICS
CAMPING

Oshman's, Atlanta: *A flat year in 1990, with sales up only 0.3%, but the chain has agreed to launch a spin off in Mexico.* (DSN photo)

Automotive Chains Ride Out Unstable Economy

The automotives aftermarket got at least three votes of confidence in recent months: the launch of a new warehouse chain called Auto Source, Indianapolis, and the successful initial public offerings of AutoZone, Memphis, Tenn., and Hi/LO, Houston.

But those positive signs flew in the face of numerous indications that competitive and recessionary stresses are getting to the automotives aftermarket:

- Northern Automotive, Phoenix, Ariz., recently scrapped the remnants of its Crown Auto chain that operated 57 stores when Northern bought it in 1988 for $8 million. Coupled with other closings, the failure of Crown Auto trimmed store count for the group to 760 from 850;
- Sales of Grand Auto, Oakland, Calif., slumped 5% in the fourth quarter of 1990. In an attempt to cut costs, it asked all vendors in April to cut prices by 5%. It closed all seven stores in the Los Angeles market in February and is down to 90 units from the 107 it had in 1989, when PACCAR acquired the chain;
- Trak Auto lost a net of $4.2 million last year on sales of $293 million from 331 stores, compared to net profits of $2.6 million on sales of $276 million from 308 stores. Moreover, Trak lost a net of $3.4 million more in the first quarter of 1991, although sales rose 11.5% to $75.7 million from a year ago. The chain blamed the loss on "lower margins due to market pressures;"
- Western Auto, owned by Sears, had to delay the opening of its first Auto America franchise store when its first franchisee partners had trouble securing financing. It had expected to open the first of six 1991 units in May but now looks to an August opening in Marion, Ind.;
- Action Auto, Flint, Mich., declared Chapter 11 bankruptcy in June 1990, slashing store count to 50 from 68;
- Cash woes have stalled the expansion of Auto Giant, Long Beach, Calif., at three warehouse units and prompted the chain to seek a merger with its sister warehouse chain, Auto Depot. A start-up company then without any stores of its own, Auto Depot rescued Auto Giant this spring by acquiring a California unit that Auto Giant built but was unable to open;
- Even though its operating profits overall rose 12% on an 11% sales gain in 1990, Pep Boys—Manny, Moe & Jack, Philadelphia, ran into "an abrupt decline in sales and profits" starting in September. It blamed the slump on the recession, lack of consumer confidence and the Gulf War. Pep Boys continued to feel the affects of the recession during the first quarter of 1991 when operating profits declined on record sales.

In the face of these danger signals, Canadian Tire, To-

(Continued on page 71)

Top Automotive Specialty Chains

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1990	1989		1/90	1/91	Proj. 1/92	
Western Auto[1] Kansas City, Mo.	$1,300	$1,200	8.3%	468	504	544	10
Pep Boys Philadelphia, Pa.	885	799	10.8	281	313	344	19
Northern Automotive[2] Phoenix, Ariz.	800	763	4.8	828	850	825	6
AutoZone[3] Memphis, Tenn.	672	536	25.4	520	553	593	6
Chief Auto Parts Dallas, Texas	400	375	6.7	503	518	535	32
WSR Group[4] Chicago	320	285	12.3	280	299	305	9
Trak Auto Landover, Md.	293	276	6.2	308	331	NA	NA
Nationwise Columbus, Ohio	290	270	7.4	270	205	205	9
General Auto[5] Renton, Wash.	205	195	5.1	134	139	145	6
Total:	$5,165	$4,699	9.9%	3,592	3,712	NA	—

[1] *Western Auto: Includes company-owned Western Auto stores, (367 units as of June 11, 1991); 90 Tire America stores and 63 NTW tire stores.*
[2] *Northern Automotive: Includes Schuck's, Checker, Kragen, Crown and Autoworks chains.*
[3] *AutoZone: Figures for fiscal year ended Aug. 25, 1990.*
[4] *WSR Group: Includes Whitlock Auto, Rose Auto Supply and R&S Strauss.*
[5] *General Auto: Includes Grand Auto and Al's Auto Supply.*
NA—Not available

Source: DSN research

Variety Chains Turn to Crafts to Beat Back Competition

As the number of variety stores facing discount store competition rose in 1990, so did the number of variety chains that turned to crafts retailing to reclaim sales and profits.

Most recently, Sprouse! variety stores, which reported operating losses of $1.6 million in 1989 and losses of $4.4 million in 1990, radically expanded crafts as part of an overall remerchandising at six test units last year. Crafts was more than doubled from an average of 45 linear feet to between 90 feet and 250 feet. In all, about 25% of the test stores are fabrics and crafts.

Bob Sprouse, hard lines merchandise manager, said 15 more units will be remodeled this year and most of the chain will have expanded crafts by year-end. "Crafts is definitely a growth area for us . . . It generates better margins than the store average," he said.

Among Ben Franklin franchisees, the percentage of owners who opted to run crafts stores vs. variety stores continued to climb last year to 250 out of 1,300 Ben Franklin locations. A year earlier, only five craft stores were in operation. Looking ahead, Dale Ward, president, estimated 90% of all store openings will be craft units. Similarly, at Winn's Stores, which does not franchise, 40 of 240 units have crafts.

While most variety chains have turned to crafts, Woolworth has put more of its muscle behind its domestic and international specialty stores like Foot Locker, and has reported declines in variety store count. Operating income for the variety chain dropped to $90 million in 1990 from $118 million the year before.

McCrory is one of few chains making its core variety business work. Phil Lux, chairman, said tough measures in 1989—such as heavy markdowns to clean out inventories—paid off last year. The 1990 figures were also benefited by the absence of T.G.&Y./Bargain Time red ink. "Last year was one of going back-to-basics," said Lux, noting that the T.G.&Y. acquisition backfired because the discount units were not suited to a variety format.

Regarding crafts, Lux said non-urban stores will typically have 40 linear feet to 50 linear feet. And while the category is strong and profitable, he feels the current size is sufficient.

The sales gains reported by craft chains without variety store roots like Ames' freestanding Crafts & More units, indicates why variety stores are looking toward this category for answers. The craft chains are now focusing on rapid expansion and cultivating a loyal customer base.

Michaels, for instance, has started a television show in select markets and is considering mail order based on the overwhelming response from viewers. John Popple, president of Leewards, said his chain has recently rolled out a successful frequent shopper program chainwide.

While store count for Crafts & More stores are down, Ames is rapidly expanding by building Crafts & More departments within its discount stores. The chain plans to explode the number of Crafts & More departments to 202 by the end of 1991, up from 123 last year and 33 in 1989. Crafts sales at both freestanding and Ames units were roughly $50 million last year, up from $20 million in 1989.

Top Variety/Craft Store Chains

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1990	1989		1/90	1/91	Proj. 1/92	
Woolworth New York, N.Y.	$2,151	$2,193	(1.9%)	1,024	1,016	1,003	NA
McCrory Stores[1] York, Pa.	1,509	1,372	10.0	1,063	1,147	1,067	NA
Ben Franklin Carol Stream, Ill.	1,000	850	17.6	1,275	1,300	1,335	10
Frank's Nursery[2] Stamford, Conn.	515	496	3.8	264	269	278	35
Michaels Stores Irving, Texas	362	290	24.8	122	137	141	15
Fred's Memphis, Tenn.	284	267	6.4	187	187	187	10
Sprouse-Reitz Portland, Ore.	224	223	0.4	287	264	231	16
Winn's Stores San Antonio	160	150	6.7	235	240	245	13
Leewards Creative Crafts Elgin, Ill.	131	104	26.0	69	82	94	13
Lamstons New York, N.Y.	64	61	4.9	27	27	27	5
Crafts & More[3] Rocky Hill, Conn.	19	14	35.7	17	15	14	15
Total:	$6,419	$6,020	6.6%	4,570	4,684	4,622	—

[1] *McCrory: Prior to a $40.2M 'geographic restructuring cost' (i.e. 90 stores to be closed in 1991).*
[2] *Frank's Nursery: Sales include 10 Calloway lawn and garden centers.*
[3] *Crafts & More: DSN estimates for freestanding units only.*
NA: Not available ( )—Loss

Source: DSN research

New Retailers Carving Up Office Supply Biz

Mergers, Acquisitions, Liquidations Rampant Among Office Megastores

The long expected shakeout in the office supply industry took place in 1990 resulting in a long list of mergers, acquisitions and liquidations.

Ultimately, the big chains got bigger and the smaller ones started to disappear. The vanquished closed their doors as a result of financing and operational troubles caused by too much competition for their small, underdeveloped companies.

There are fewer chains now than a year ago and the top four companies—Office Depot (including Office Club), Staples, BizMart and OfficeMax—garnered about three-quarters of all dollars spent in the nearly $2.2 billion industry. Their nameplates also claim two/thirds of all the units in operation.

Change has come fast and furiously for these operators, particularly in the past 18 months, which has seen the following take place:

- Office Depot merged Office Club into its corporate structure, making it a wholly-owned subsidiary of the larger chain. The move also strengthened Office Depot's No. 1 position in the industry;
- OfficeMax acquired Office World and Office Square and then sold Kmart a 22% equity in the company;
- BizMart sold itself to Intelligent Electronics, a computer products reseller;
- Staples made a major assault on the Southern California market, opening eight stores on its own followed by an 11-unit acquisition from HQ Office Supplies Warehouse.

In addition to these events, other major changes in the industry last year included:

- HQ Office Supplies Warehouse sold off its 13 stores to Staples and BizMart and canceled its merger with its Canadian affiliate. It now operates no stores in the United States;
- Jaffe's, which was owned by Abitibi-Price, the Canadian paper company, closed its stores and exited the business;
- Office Stop filed for Chapter 7 liquidation in May after closing two stores and failing to secure additional capital;
- O.P. Club and The Office Place merged their small operations, forming a 19-unit chain;
- OW Office Warehouse went public.

The near future promises to be equally eventful.

Office Depot's merger with Office Club—completed in April—will give the young office supply industry its first billion dollar company.

Last year, the combined sales of the two companies were $906.2 million from 173 stores. By the end of 1991, the chain should have sales approaching $1.5 billion from 240 stores, by far the largest company in the industry.

No. 2 Staples with just under $300 million in sales, is on a more conservative growth

(Continued on page 62)

Top Office Supply Megastores

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1990	1989		1/90	1/91	Proj. 1/92	
Office Depot Boca Raton, Fla.	$626	$315	99.4%	67	122	162	21
Staples Newton, Mass.	299	182	64.1	38	74	120	18
Office Club Concord, Calif.	281	147	91.2	32	51	73	22
BizMart Dallas, Texas	259	133	94.7	31	51	79	22
Office Max Beachwood, Ohio	200	65	207.7	11	48	100	23
Arvey Paper & Office Products Chicago, Ill.	110	100	10.0	36	40	43	17
OW Office Warehouse Virginia Beach, Va.	80	23	250.2	12	23	45	20
HQ Office Supplies[1] Long Beach, Calif.	74	39	93.2	13	14	0	25
WORKplace St. Petersburg, Fla.	60	41	46.3	6	9	14	30
Office America Richmond, Va.	40	32	25.0	12	14	21	19
The Paper Cutter Liverpool, N.Y.	24	18	30.6	17	26	35	11
O.P. Club[2] Meza, Ariz.	22	18	22.2	8	10	10	15
The Office Place[2] Redwood, City, Calif.	20	18	11.1	12	10	10	15
National Office Warehouse Columbus, Ohio	16	24	(33.3)	3	2	2	12
Office Stop[3] San Antonio, Texas	13	0	100.0	1	7	0	30
Action Indianapolis, Ind.	10	10	0.0	4	4	3	20
Super City[4] Tucson, Ariz.	8	14	(42.9)	17	16	NA	15
Total:	$2,142	$1,179	81.7%	327	514	NA	—

[1] *HQ Office Supplies: Sold all its U.S. stores to Staples and BizMart in first quarter of 1991.*
[2] *O.P. Club: Merged with Office Place in 1991 to form U.S. Supply Inc.*
[3] *Office Stop: In liquidation.*
[4] *Super City: In Chapter 11.*
( )—Loss NA: Not available.

Source: DSN research

Top Hypermarket/Supercenter Chains

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1990	1989		1/90	1/91	Proj. 1/92	
Meijer Grand Rapids, Mich.	$3,000	$2,800	7.1%	56	57	62	200
Wal-Mart SuperCenter[1] Bentonville, Ark.	530	220	140.9	6	9	11	NA
Bigg's Milford, Ohio	350	300	16.7	4	4	4	200
American Fare[2] Troy, Mich.	200	80	150.0	1	3	3	160
Holiday Mart Honolulu, Hawaii	101	93	8.6	3	3	3	75
Big Bear Plus Columbus, Ohio	100	79	26.6	4	5	11	100
Twin Valu Minneapolis, Minn.	100	60	66.7	1	2	2	180
Laneco Palmer, Pa.	100	95	5.3	14	14	14	83
Carrefour Philadelphia, Pa.	84	64	31.3	1	1	1	160
Auchan Houston, Texas	75	50	50.0	2	2	1	170
Giant Family Centers Mount Pleasant, Mich.	55	55	0.0	13	13	13	43
Total:	$4,695	$3,896	20.5%	105	113	126	—

[1] *Wal-Mart SuperCenter: Includes 4 Hypermart USAs.*
[2] *American Fare: Unit in Jackson, Miss., is operated by Bruno's, Kmart's joint venture partner.*
NA: Not available

Source: DSN research

Meijer Leads Field As Hyper/Supercenter Challengers Take Aim

The fledging hypermarket/supercenter industry is poised to become a major retailing factor in the next few years.

The reason: a number of companies are stepping up their expansion plans and/or strengthening their commitment to this retailing format.

Up to now, Meijer, the $3 billion, 57-store chain, has been the dominant hypermarket/supercenter retailer. It will retain that position for the next few years while other retailers—European companies that expanded into the United States and American firms that either began as combined food and general merchandise merchants or started hypermarket/supercenter arms—develop their diverse operations.

Three French hypermarkets—Auchan, Bigg's and Carrefour, have brought this concept to the United States with mixed success. Bigg's and Carrefour assert they are operationally profitable, with each planning to open at least one unit in 1992; Auchan has closed its Chicago store but contends it will expand in the Southwest from its Houston base.

This year, New Eldis Corp., an new American venture that traces its roots back to another French hypermarket company—the E. LeClerc Group, has opened its initial unit.

The store, called Leedmark, is described as a one-stop "hybrid-market." Company executives said the European term "hypermarket" hadn't caught on with American consumers, while the supercenter nomen-

(Continued on page 65)

Office Depot, Atlanta: *Its merger with Office Club has strengthened its position in the industry.*

New Retailers Carving Up The Office Supply Business

(Continued from page 61)

plan. It is making major advances in California, soon to be its largest market, and New York.

Staples is focusing most of its expansion in California right now and expects to end the year with 31 to 33 stores, about a quarter of the company's total store count. New York, which as of April had 21 stores, should finish the year with about 28 units, making it Staples' second largest market.

Last year, Staples also created its first two Express store models in downtown Boston and Washington, D.C., and started a centralized delivery system for next-day delivery directly to customers. The program is intended to increase Staples' penetration to mid- and larger-sized businesses.

1990 was also busy for Office Max, which acquired two chains and sold a large equity position to Kmart. This year, the chain, now with 50 stores, expects to have 65 units and will enter Tidewater, Va., this fall, facing OW Office Supplies Warehouse, based here.

OW, a newly public company, plans on doubling the size of the chain by the end of this year, to 45 stores. Next year, it wants to be 70 units strong.

BizMart, the No. 4 office supply chain with 57 units and 1990 sales of $258.5 million, is now the core of Intelligent Electronics' retail group. The extra clout should help leverage the chain's expertise in computers into a major competitive edge. It also should position the chain for international expansion.

Intelligent's entry into office retailing was to have been led by Elliott Wahle, a former president of Toys "R" Us Canada, but on June 20 Intelligent said Wahle would not be joining the firm after all. No reason was given for Wahle's change of mind.

1991 may offer some hidden opportunities for two small chains, Office Place of Redwood City, Calif., and O.P. Club of Phoenix, now that they will operate as one company. The two chains, which are not completely similar, decided to combine their operations to strengthen their position in the industry.

Staples, Weymouth, Mass.: *The No. 2 chain opened eight new stores in 1990, then acquired 11-units from HQ.* (DSN photos)

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Meijer's Ahead in Hyper/Supercenter Field

(Continued from page 61)

clature is just starting to come into mass market use.

The first Leedmarks are being spotted in the Baltimore/Washington, D.C. area, after which New Eldis plans to grow the chain in adjacent markets.

The hypermarket business in the United States could get a big boost in the next few years. Carrefour, the world's largest hypermarket chain, plans to buy Euromarché, the parent company of Bigg's, as part of its drive to strengthen its international marketing position. That effort could also see Carrefour rapidly expanding its American presence through a merged Bigg's and Carrefour operation.

On the domestic scene, besides Meijer's, Giant Family Centers, Holiday Mart and Laneco are among the over half dozen merchants that have long operated merged food and general merchandise units, while during the past few years the concept has been probed by a number of discounters: Kmart with American Fare, Wal-Mart with Hypermart USA and Wal-Mart SuperCenters, ShopKo with Twin Valu and Harts/Big Bear with Big Bear Plus.

(A number of chains didn't make the listing as their sales were under $50 million. These included Lloyd's in Middletown and Newburgh, N.Y., and Holiday Plus and Family Thrift Center, both in Minneapolis.)

The combination of major long-time supercenter chains and new industry entries with over $50 million in volume is an evolving 11-company retailing segment that captured $4.695 billion in sales last year, up 20.5% from $3.896 billion in 1989. The number of stores grew 7.6% to 113 units from 105 stores.

As the industry starts to come of age, sales this year should increase to about $6 billion as at least another dozen stores come on line. The industry's overall performance this year is only the setup for major new developments that will drive its growth in the future.

The key move is Wal-Mart's decision, confirmed earlier this year, to rapidly grow its Wal-Mart SuperCenter arm with a minimum of four new SuperCenters this year and at least a dozen in 1992. Long-term, Wal-Mart, the nation's leading retailer, is considering converting traditional general merchandise discount stores into SuperCenters wherever it can.

The step follows the retailing giant's measured test of the supercenter concept during the past three years, culminating with five different sized units—91,500 square feet to 12,500 square feet—in operation by the start of this year. At least two more SuperCenters are planned for this year; four to six more are projected next year.

At the same time, Wal-Mart has halted its separate but related Hypermart USA test at four stores, converting their setup to the supercenter format of a blended discount store and supermarket. The Hypermart USAs had originally merchandised a narrow but deep assortment of food and selected general merchandise.

Wal-Mart isn't the only discounter set to expand into the hypermarket/supercenter arena. Kmart, the second largest discounter, is scheduled to unveil its first Super K this month, a 147,000-square-foot unit. The store is a true supercenter and follows Kmart's probe two years ago of cross-marketing of food and general merchandise through the opening of small supermarkets adjacent to two traditional Kmarts.

The Super K is also an outgrowth of Kmart's test of three American Fare hypermarket units. That experiment—which also focused on narrow but deep assortments of selected merchandise—is now in abeyance while Kmart proceeds with its broadly assorted Super K general merchandise/food units.

As for the other hypermarket/supercenter chains, Meijer's continues its measured growth, moving further into Ohio from its Michigan base while eyeing Kentucky and Indiana as expansion markets. Big Bear Plus plans to add more stores this year—mainly conversions of Harts discount stores into supercenters—while the other chains maintain their status quo while their focus on strengthening their operations. Long term, Harts is expected to convert most, if not all, of its discount operation into Big Bear Plus units.

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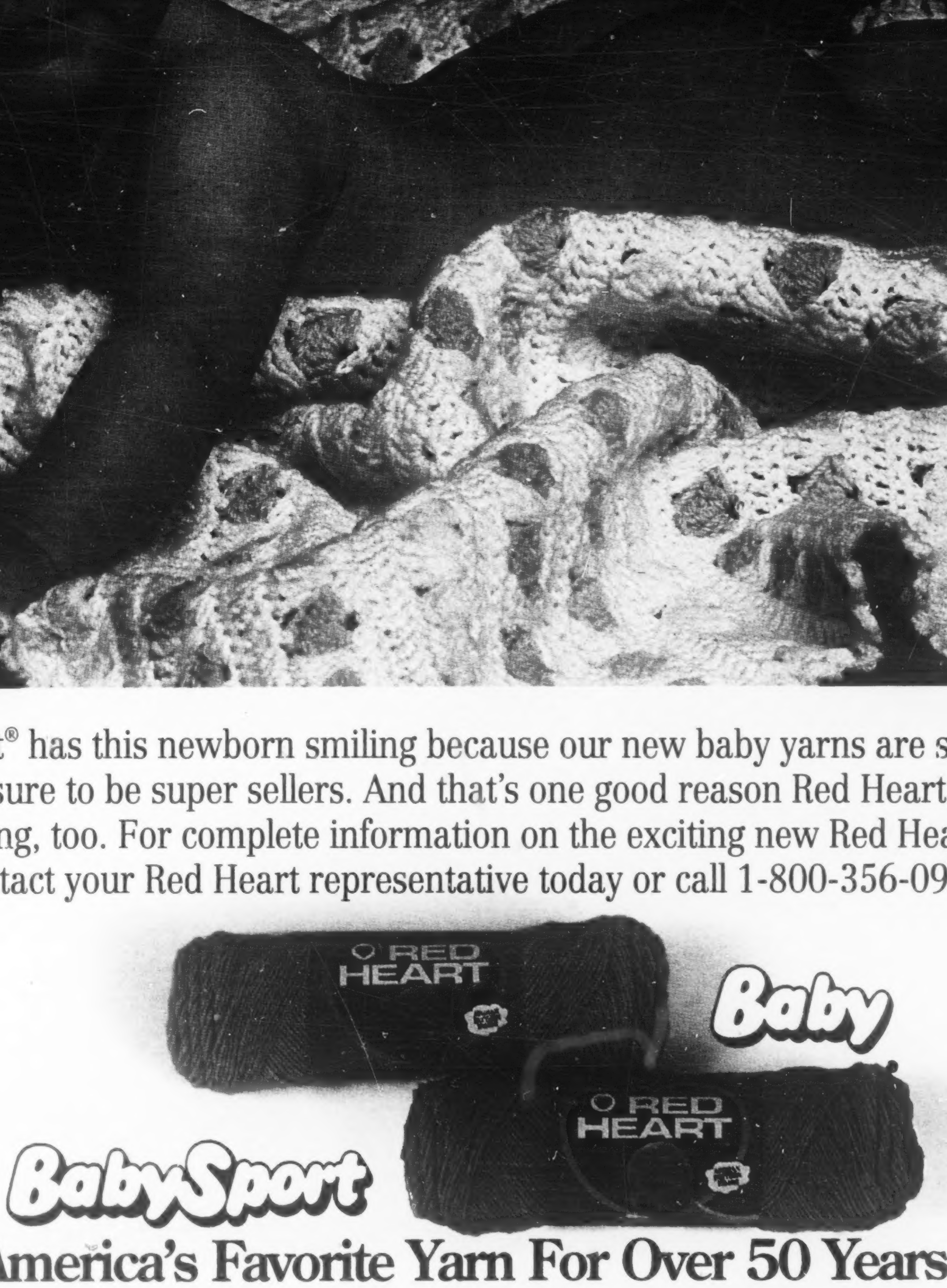

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Recession-Hit Shoppers Flock to Closeouters

Despite pressures on operating profits, sales of the closeout retailing niche rose a robust 12.9% in 1990—as recession-hit shoppers sought out especially sharp bargains.

Store count rose to 925 in 1990 from 826, and closeouters expect to be operating 1,095 stores by year-end.

Consolidated Stores is back on a modest expansion track, with plans to open 23 more units, for example, while Tuesday Morning intends to open 17 more.

The major news for the segment during the past 18 months was the takeover battle that Pic 'N' Save, the second largest closeout chain, waged to remain independent. Based in Dominguez, Calif., Pic 'N' Save underwent a costly proxy battle with David Batchelder, formerly a top aide to corporate raider T. Boone Pickens.

After a series of legal skirmishes that cost the company $19.2 million, Pic 'N' Save made peace with Batchelder by granting him two seats on the board and agreeing to a corporate shake-up.

Gone was Lewis B. Merrifield III as chairman and chief executive officer. In his stead, an outside chairman, Peter S. Willmont, former chairman and chief executive officer of Carson Pirie Scott, was appointed, and Len Williams was hired as president and chief executive officer.

Williams previously was chairman and chief executive officer of Gold Circle and then president of Caldor. A Canadian exec, Williams came to his new post from New Zealand, where he was ceo of Lion-Nathan, a conglomerate with interests in supermarkets and Coca-Cola bottling.

The proxy battle cut into operating profits, which plunged $37.1 million from $55.4 million, although sales rose 11% to $529 million from $475 million. Operating profits last year are less than half the peak of $85.7 million reached in 1987 on sales of $361.7 million.

In a bid to shave expenses, Pic 'N' Save sold the 14-unit Job Lot Pushcart division in August 1990. During the third quarter, it expects to open its new $60 million distribution center in New Orleans to support expansion into the Southeast. But it plans to add only four stores this year to its count of 191.

At the nation's largest closeout chain, Consolidated Stores saw operating results turn around as the chain ceased its flirtation with full-line discounting and returned to its closeout roots under a new ceo, William G. Kelley.

Sales rose 11.6% to $662 million from $594 million, and the chain showed an operating profit of $15.2 million, compared to an operating loss of $5.2 million in 1989. Same store sales rose 10%, a turnaround from an 11% decline in 1989.

(Continued on page 68)

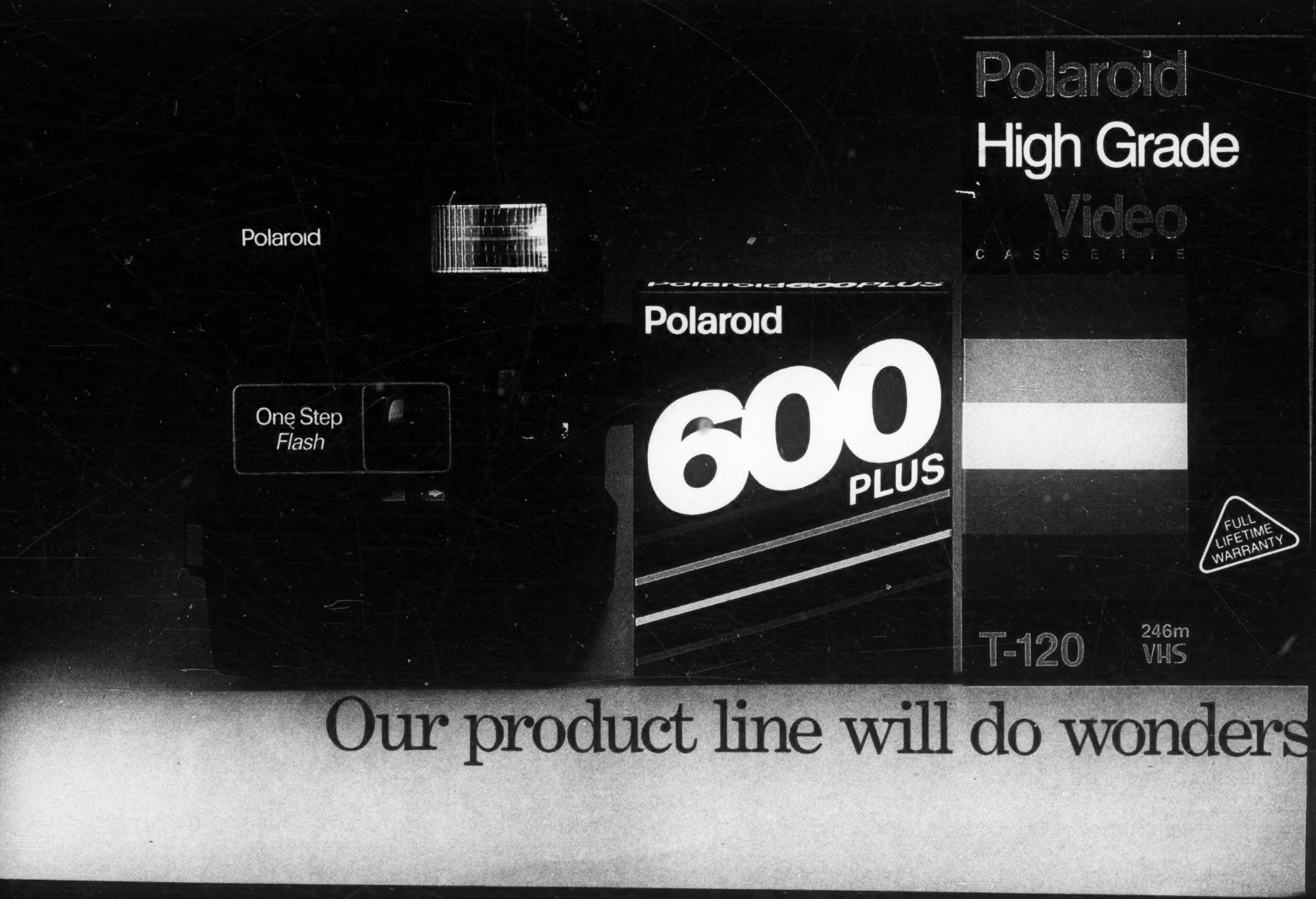
Top Closeout Chains

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1990	1989		1/90	1/91	Proj. 1/92	
Consolidated Stores Columbus, Ohio	$662	$594	11.4%	336	337	360	20
Pic 'N' Save Dominguez, Calif.	529	475	11.4	190	191	195	20
Tuesday Morning Dallas, Texas	107	97	10.3	114	132	149	70
Building #19 Hingham, Mass.	83	82	1.2	9	9	10	20
Odd Job Trading[1] New York, N.Y.	64	58	10.3	16	18	18	15
Everything's A $1.00 Milwaukee, Wis.	59	38	55.3	61	108	183	3
Dollar Tree Norfolk, Va.	53	35	51.4	100	130	180	3
Total:	$1,557	$1,379	12.9%	826	925	1,095	—

[1] *Odd Job Trading: Includes Odd Job, Peddlers Mart, Just Closeouts and The Closeout Store.*

Source: DSN *research*

Source: ITA Shipments, December, 1989 "Polaroid," "OneStep," "OneFilm" Polaroid* 1991



Deep Discount H&BA Chains Grow Rapidly; Expand Product Mix

Discount drug chains had a banner year, with the category being among the most active in 1990. Though not quite recession-proof, the drug chains managed to grow steadily with nary a stretch mark.

Overall, sales for the discount sector of the category was up by 13%. This was ahead of all drug chains, which industry estimates put at 9% above 1989 levels.

Housewares, stationery, and photo and video products have become a bigger piece of the deep discounter's pie.

Expanded formats in 1990 were being tested by Phar-Mor, whose adjacent Phar-Mor Entertainment centers provide video sales and rentals, music and audio electronics. Freddy's, Woonsocket, R.I., is currently testing in-store photo labs.

In 1990, however, traditional product categories, especially prescription and over-the-counter medicine still accounted for the highest percentage of sales.

Except for Nichols Pharmhouse, a newcomer to the list which changed formats in 1990, the remaining discount drug retailers reported increased sales. Five chains actually managed to record increases of more than 20%. This included the leader of the pack, Phar-Mor.

At $1.6 billion in sales, Phar-Mor, outpaced its Ohio neighbor Drug Emporium by a generous margin. Phar-Mor opened 57 stores in 1990 and ambitious growth plans project another 70 store openings in 1991. Many of these will be in new markets for the drug retailer including: California, New York, Delaware, Kansas and Arkansas.

Though Drug Emporium's total 1990 sales came close to that of Phar-Mor, $1.2 billion, only about half of that was

(Continued on page 68)

Top Deep Discount Drug Store Chains

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1990	1989		1/90	1/91	Proj. 1/92	
Phar-Mor Youngston, Ohio	$1,600	$1,300	23.1%	!65	232	302	NA
Drug Emporium[1] Worthington, Ohio	624	492	26.9	83	NA	NA	NA
F&M Distributors Warren, Mich.	588	554	6.1	75	95	113	NA
Pic 'N' Save Jacksonville, Fla.	400	410	2.4	41	41	NA	NA
Marc's Middleburg, Ohio	310	245	26.5	19	21	NA	NA
Rockbottom Port Washington, N.Y.	250	220	13.6	27	31	NA	NA
Freddy's Woonsocket, R.I.	194	162	19.8	25	29	31	27
Nichols Pharmhouse[2] New York, N.Y.	90	214	(57.9)	34	19	19	42.5
Drug Palace Shiremanstown, Pa.	82	81	1.2	54	52	52	NA
Dot Drug Lenexa, Kan.	76	74	2.7	14	14	14	NA
A.L. Price Warren, Mich.	70	54	29.6	16	14	14	20
Rx Palace New York, N.Y.	66	53	24.5	13	22	NA	NA
Cost Cutters Somerville, N.J.	45	42	7.1	9	9	NA	24
Total:	$4,395	$3,901	12.7%	575	579	NA	—

[1] *Drug Emporium: Company-owned stores only; excludes franchises.*

[2] *Nichols Pharmhouse: Declared Chapter 11 bankruptcy and changed format to deep discount drug store from full-line discount store in 1990 and changed its name to Nichols Pharmhouse.*

( )—Loss *NA: Not available.*

Source: DSN research

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Deep Discount H&BA Chains Grow Rapidly

(Continued from page 67)

gained through its corporate stores. These stores are becoming more important to the discount drug chain. Since going public in 1988, Drug Emporium has been working toward opening more company stores and reducing the number of its franchise operations. This is the first year its corporate-run stores outnumbered franchises. It has continued to buy back a number of franchises in various markets. Last year the company stated it planned to have 225 corporate stores by 1994, a realistic goal given its recent efforts.

The third-largest discount drug chain, F&M Distributors, announced it had a record year in 1990. Sales hit $588 million and the company reported it had gained record profits. Its strength continues to be in the major metropolitan markets such as Chicago, Detroit, Baltimore and Minneapolis. The 21 stores it opened in 1990 were concentrated in its already existing operating areas.

This year, F&M expects to increase the number of stores in Chicago, one of biggest markets, to a total of 33. In Detroit, two new units will bring the number of F&M stores to 25.

Though small by comparison to the two Ohio giants, Drugs For Less, a chain based in Bessemer, Ala., made the largest percentage sales leap, going from $16 million in sales in 1989 to $40 million in 1990.

Notable for its poor performance in 1990 is Nichols Pharmhouse, which recently declared Chapter 11 and had a decrease in sales of more than 57%.

In 1989, its parent company, S.E. Nichols, changed its format from a full-line discounter to a deep discount drug store. The problems were evident early on as announcements that the chain could not meet its debt interest payments foreshadowed its bankruptcy announcement. The chain currently has 19 stores, down from 34 stores it ran last year.

Store closings also occurred at Drug Palace, which went from 54 stores in 1990 to 52.

A.L. Price began 1990 with 16 stores and now numbers 14. This seemed to streamline operations for the chain, which had sales of $70 million in 1990, compared to $54 million in 1989.

After being sold by Wal-Mart in early 1990, Dot Drug Stores have managed to inch ahead with a 2% sales increase. Wal-Mart decided to sell the dot chain, while concentrating on its in-store pharmacies.

New store designs have been the trend in H&BA sections at full-line discounters as well as in deep discount drug stores.

Freddy's, a division of Melville Corp., continued to roll out an improved racetrack design in its stores. Another service-oriented change made by the company was hiring more cashiers to reduce checkout time.

F&M has also upgraded its look to better serve its urban customer base.

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Recession-Hit Shoppers Flock To Closeouters

(Continued from page 66)

Operating profits, however, remain far below the banner year of 1988, $41.6 million.

At Dallas-based Tuesday Morning, operating profits kept pace with a 10.3% sales increase to $107 million from $97 million. Tuesday Morning opened 18 units in 1990 and expects to open 17 more stores by year's end of 1991.

Its sales and profits continue their steady growth under Tuesday Morning's unique operating concept: its stores are open only during the four peak selling seasons each year, including Easter and Christmas.

New markets it entered last year include Cincinnati and Columbus, Ohio, and Charlotte and Raleigh, N.C. It now operates in 52 cities from Chicago south to Ohio and into North Carolina.

Specialty closeouting continues to flourish at two chains that specialize in goods that sell everything for a dollar. Everything's a $1.00, Milwaukee, is owned by Value Merchants, operators of the Toy Liquidators closeout chain. Its sales rose 55.3% in 1990 to $59 million from $38 million in 1989. It plans to open 75 more stores of about 3,000 square feet this year, which would bring year-end store count to 183.

Owned by K&K Toys, Dollar Tree, based in Norfolk, Va., also saw its sales jump more than 50% last year to $53 million from $35 million. The company expects to open 50 small stores for a year-end total of 180.

Auto Chains Ride Out Unstable Economy

(Continued from page 58)

ronto, has tightened the competitive screws a notch by launching a U.S. chain of automotive warehouse units called Auto Source.

Auto Source opened the first 47,000-square-foot unit July 12 in Indianapolis and will open the second warehouse there next month. A third store should open its doors in October, with 10 to 12 more units opening next year.

Canadian Tire took the plunge, even though it lost $200 million on its ill-fated acquisition of White Auto Stores during the mid-'80s, because it has saturated its Canadian market.

The initial public offering of AutoZone, Memphis, Tenn., in April, provided a look at a chain that is prospering, despite the recession.

Sales for AutoZone rose 25% in the fiscal year ended Aug. 25, 1990, to $672 million from $536 million the previous year. Operating profits almost doubled to $49.3 million from $24.9 million in 1989.

For the six months ended Feb. 9, 1991, AutoZone saw its operating profits increase 80% on a 15% sales gain from 553 stores.

AutoZone was able to sell 3.5 million shares for $23 a share, against an expected range of $17 to $19 for 3.25 million shares. It raised $84.8 million to pay down debt.

Hi/LO, which currently operates 108 stores, went public last month, selling a one-third stake, or 3.2 million shares, at $12 per share. The chain will use the $38 million to pay off its LBO debt.

The only acquisition over the past 18 months was the long-delayed $115 million leveraged buyout of Whitlock Auto. Merrill Lynch Capital Partners acquired Whitlock, composed of Whitlock, R&S Strauss and Rose Auto chains, last July and renamed it the WSR Group.

Although Auto Giant struggles, the Auto Parts Club, San Diego, is driving ahead with expansion. Since its 1989 launch, Auto Parts Club has opened seven clubs in California and an eighth in Phoenix.

In addition, it is opening two more automotives warehouse clubs in the San Francisco Bay area and is building two in San Antonio, Texas, for a total of 12.

In another test of warehouse units, 150-store Discount Auto Parts, located in Lakeland, Fla., opened a 36,000-square-foot unit called Disco Depot Auto Parts, in Hialeah, Fla.

Wal-Mart Passes Kmart For No. 1

(Continued from page 39)

like Elliot Bay in men's wear and Merona in women's. The retailer also improved its distribution center technology and accelerated its Quick Response Partnership program with vendors.

However, despite the dominance of the Big Three, it should be noted that four other billion-dollar-plus discounters had strong sales gains in '90.

Fred Meyer, the Portland, Ore.-based discount retailer, neared the $2.5 billion sales mark with an 8.6% sales gain last year. The departure of chairman Fred Stevens leaves a management void, but the chain continued to hold a strong consumer franchise in its Pacific Northwest trading areas.

Caldor, Norwalk, Conn., is one of the turnaround stories of the year. The chain was positively revitalized by its spinoff from the May Department Stores Co. Even though its new prototype had been rolled out in only a handful of stores, Caldor achieved a 12.7% sales gain last year to nearly $1.8 billion in sales.

ShopKo was so successful last year that its parent company, Super Valu, decided to spin the chain off last month through a public offering of stock. The Green Bay, Wis.-based chain hit $1.7 billion in sales, an 11.6% rise over 1989.

Another chain to benefit greatly from its exit from May Department Stores was Venture. The O'Fallon, Mo.-based discounter achieved a 35.9% sales gain last year, topping $1.4 billion in sales.

There were also some success stories among middle-tier chains: Value City sales grew 25.1% to $538 million; Stein Mart achieved a 22.6% sales gain to $195 million, Jack's grew 12.1% to $167 million, and Goldblatt's had a 12.8% sales gain to $59 million.

Of course, the discount segment contained its share of woeful stories: Ames' sales dropped 35.4% to $3.1 billion (about the same as prior to its ill-fated acquisition of Zayre); Smitty's dropped 10.2% (as its parent looks for a buyer); Harts plunged 18.6%; and the now-liquidated Sky City chain fell off by 50% last year.

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Top Dollar Discount Store Chains

Chain	Sales (In Millions) 1990	Sales (In Millions) 1989	% Change	Number of Stores 1/90	Number of Stores 1/91	Number of Stores Proj. 1/92	Average Store Size (000 Sq. Ft.)
Family Dollar[1] Charlotte, N.C.	$874	$757	15.5%	1,680	1,755	NA	7
Dollar General Scottsville, Ky.	653	615	6.2	1,378	1,461	1,476	6
Bill's Dollar Stores Jackson, Miss.	250	245	2.0	500	555	555	6
Bargain Town Montgomery, Ala.	59	55	7.3	62	67	67	12
Total:	$1,836	$1,672	9.8%	3,620	3,838	NA	—

[1] *Family Dollar: Sales are for fiscal year ended Aug. 31.* *NA: Not available.* *Source: DSN research*

Dollar Discount Chains Restrain Expansion, Boost Bottom Lines

Cost control was the name of the game in the dollar discount store business last year. Low ticket merchandise—usually under $18—coupled with low income consumers—often making under $15,000 per household—and slim gross margins make bare bone costs and peak efficiency a necessity, not just a way of boosting profits for these retailers.

The current year appears to be one of pulling in the reins on expansion for most of the dollar stores as they take time to assimilate the many new openings of 1990 and prepare for an uncertain economy going into the second half of 1991.

During their last fiscal year, the two largest dollar store chains, Family Dollar and Dollar General, stepped-up investments that would curb long-term costs, especially distribution networks and management information systems. Key to controlling costs for both of the two chains means "continuing to be free of long-term indebtedness," as stated in Family Dollar's annual report to stockholders.

Both of the chains have made major capital investments during 1990 using internally generated funds.

Nearly complete overlap in Family Dollar's and Dollar General's overall trading area resulted in another year of competition between the two giants. The two chains share 23 states covering most of the Eastern seaboard (except New England states) and extending west to Texas. Four Family Dollar states—New York, New Jersey, Michigan and Wisconsin—are not shared by Dollar General.

Based on sales and earnings increases, both chains had a strong 1990, but the shining star among the dollar stores last year was clearly Family Dollar.

Family Dollar's operating income soared 36% above 1989 figures and comparable store sales were up 7.7%. The building blocks of this success included the absence of long-term debt and a zone-pricing policy that allows the chain to maintain gross margin levels in low to moderately competitive markets and reduce margins where warranted by intense competition.

In addition, Family Dollar's private label program continues to be accepted by store customers. Private label apparel, health & beauty aids, commodity paper items and other merchandise has helped the chain build profits as it builds value for its budget-conscious customer.

Last year's capital investments included Family Dollar's second distribution center. In the past, all of the chain's stores were shipped from a single 785,000-square-foot distribution site at its Matthews, N.C., headquarters. Now the chain ships high

(Continued on page 74)

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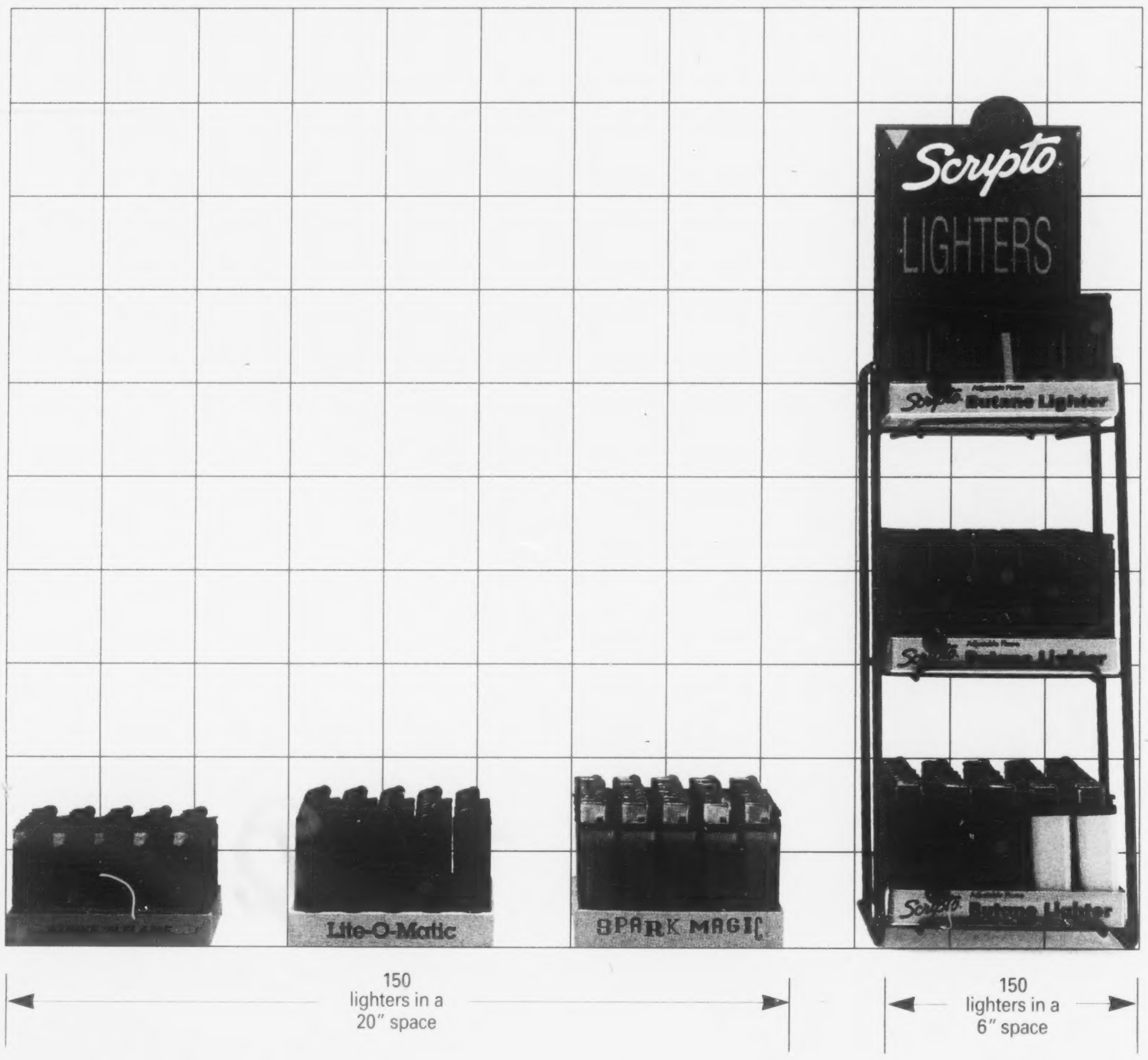

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Maxx Vies With Marshalls for Off-Price Crown

(Continued from page 44)

$8 million. Though no new president has been named to succeed Unrine, earlier this year the chain named Michele Fortune as its executive vice president of merchandising and marketing. The former chief executive officer with Ann Taylor, the better-price women's apparel chain, should bring a fresh fashion outlook to the chain.

Now for the good news. Three chains did manage significant increases in 1990—significant in that they shifted the ranking of the apparel retailers' list.

Filene's Basement, Wellesley, Mass., reported sales increases of 11.8%. Net income for the chain was reported as $12.3 million compared to $5.5 million in fiscal 1989. The chain's format also allows for very high sales per square foot. One analyst estimated its 1990 average was as high as $426.

In April, the chain went public and announced plans to expand into new markets, including Chicago, where it plans to build a unit that will mirror its flagship Boston store.

More growth was reported by One Price Clothing and 50-Off. These two Southern chains had the largest percentage sales increases of the major players.

Sales for One Price Clothing, Spartanburg, S.C., increased to $110 million, from $79 million in 1989. The 39.2% increase was helped by the aggressive number of store openings last year. One Price Clothing opened 70 stores in 1990, bringing the total of stores to 295. It plans to open 65 stores this year.

The smaller 50-Off chain, San Antonio, Texas, had the second largest percentage sales increase, 36.8%. Its earnings for 1990 actually doubled. Operating income in 1990 was $4.2 million, compared to $2.1 million in 1989.

Other off-price apparel retailers held their own in 1990. Kids "R" Us, Rochelle Park, N.J., retained its status as the leading children's wear apparel retailer.

Two other New Jersey-based discounters—Burlington Coat and Syms—reported moderate gains in sales and earnings.

Goody's Family Clothing, Knoxville, Tenn., opened 10 stores and increased sales by 11%.

Meanwhile, sales at Loehmann's, Bronx, N.Y., remained flat.

Dollar Discount Chains Restrain Expansion, Boost Bottom Lines

(Continued from page 72)

volume bulk merchandise to about 550 stores from its new 160,000-square-foot DC in Maumelle, Ark.

Dollar General managed to generate a comparable store sales increase of 1.7%, while maintaining a very aggressive store opening agenda. A total of 83 units were opened, compared with 75 by Family Dollar. Last year was also devoted to reducing inventory levels by $30 million and cleaning up existing inventories.

Dollar General spent $17 million of internally generated funds on new automated distribution and MIS systems last year. During 1990, the retailer was also able to further reduce its shrinkage level to 2.8%; four years earlier it had been nearly 4%.

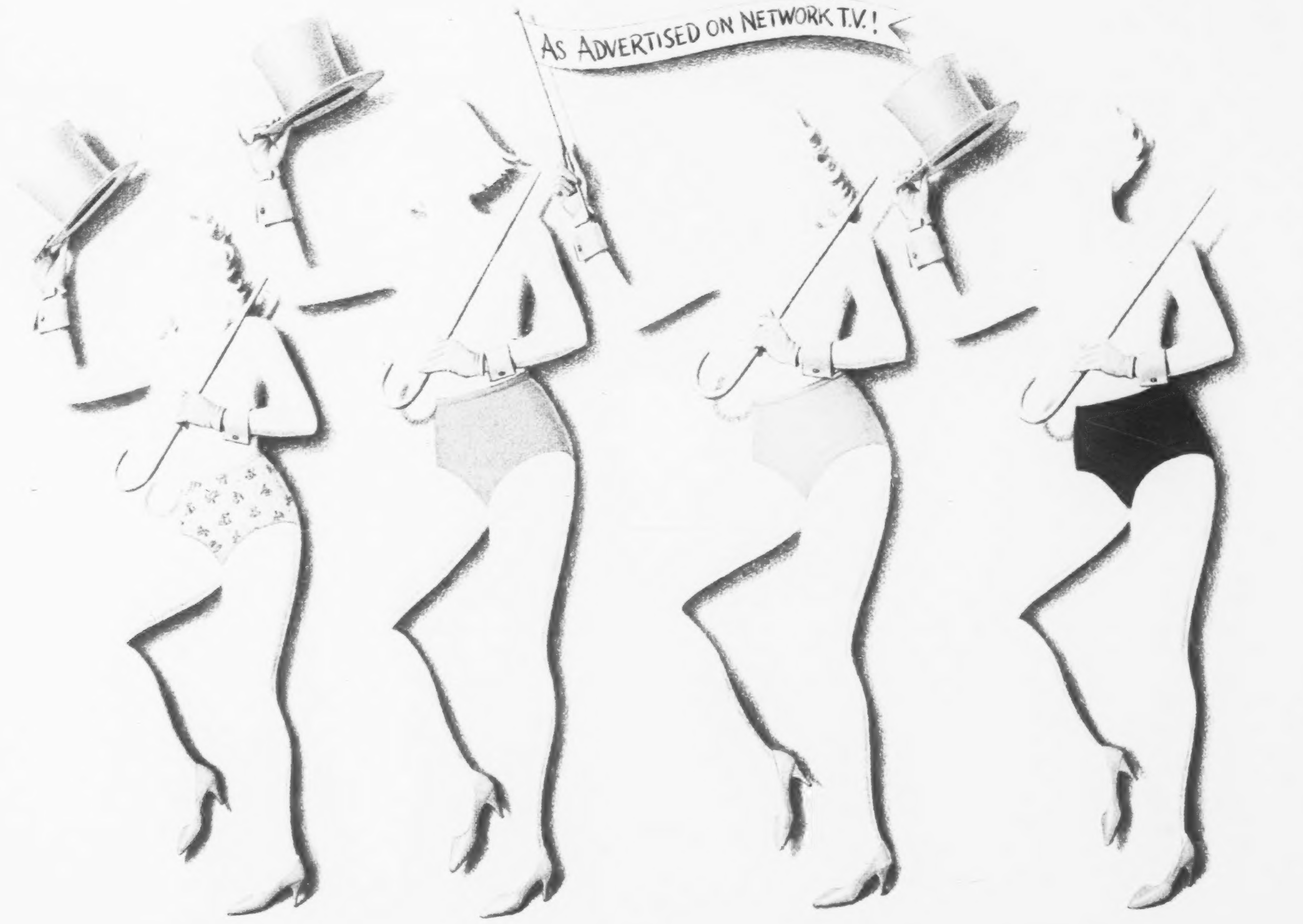
The attention given to new units at Bill's Dollar Stores coupled with a generally sluggish economy in its Southeastern trade area resulted in flat same store sales at the chain. Bill's opened 55 new stores last year, but is using 1991 as a year of catching up with its own expansion pace; no stores are due to open during the current year. Eighteen store remodelings are expected to be completed by year end.

Unlike any other dollar store operator, four of Bill's 555 units are leased departments within grocery stores. The first Bill's store within a store department was opened in a Sack and Save food store in Meridien, Miss., in March 1990.

Bargain Town, whose parent, Enstar, has been under Chapter 11 protection since January, reported comparable store sales increases of 8.9% in 1990. At the same time the predominantly soft lines chain added five new stores, including its first Florida locations.

Last year, the top four chains of the dollar store industry had an average sales increase of almost 10% with 6% more stores. Same store sales were up an average of 4.6%.

What could America's best-selling stretch panties ever do for an encore?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Sears, Ward Struggle During Transformation

Sears' decade-long problems continued in 1990, as retail sales actually lost ground to $19.4 billion from $19.5 billion the year before, and profits plummeted to $49.7 million (after a restructuring charge of $181.5 million) from nearly $500 million the previous year.

Competitor Montgomery Ward, despite a tough second half, saw its sales and net profits rise slightly, to $5.1 billion from $5.0 billion in sales, with net profits of $153 million, compared to $151 million the previous year.

Ironically, Sears, under chairman Edward Brennan, seems to be emulating "little brother" Ward, which is operated by Brennan's real-life younger brother, Bernard. To make the family connection all the more poignant, the two chains were rumored to be discussing merging in mid-1990.

Sears' problems stem from attempts to turn the hard lines-dominated behemoth into a stylish, everyday low priced collection of specialty destination departments in the late 1980s. Ward had made a similar transition, with more success, in the mid-1980s.

In March of 1989, every Sears store closed for three days to reprice its entire inventory. The reopening may have been the most well-advertised event in the history of retailing, and might be remembered as one of the least successful. Because, in adopting an EDLP strategy, Sears simply didn't go far enough. Its prices were in most cases *not* as low as its main competitors (Kmart and Wal-Mart), but they *were* too low for the venerable retailer's notoriously high cost of doing business.

By early 1990, Sears was bleeding cash. Its core customers, drawn by the service, selection and easy credit, were still buying, but at lower prices. The cherry pickers, responsible in the past for billions in sales during the company's promotions, had left with the end of the sale strategy. And new customers simply weren't walking in.

Sears now seems to be concentrating on cutting costs (over 20,000 employees have been laid off) and building the dominance of its destination departments. The company has been highly aggressive in acquiring exclusive or semi-exclusive brands (like Xerox and IBM) and licenses, and has upgraded its apparel and consumer electronics offerings, to name two. Today, like Ward, Sears is clearly a name brand discounter. Accordingly, *DSN* has classified Sears as a Specialty Mass Retailer (SMR) and added the company (its U.S. store sales only) to the *DSN* Top 150 list. Ward, which was added to the Top 150 last year as a full-line discounter, has been reclassified in the more appropriately titled SMR. However, in order to preserve the integrity of year-to-year sales comparisons, neither Sears' nor Ward's sales are included in *DSN's* estimates and projections for discount retail sales.

Sears has made progress in adapting to a changing market. The question is, has it moved fast enough?

Top Specialty Mass Retailers[1]

Chain	Sales (In Millions)		% Change	Number of Stores			Average Store Size (000 Sq. Ft.)
	1990	1989		1/90	1/91	Proj. 1/92	
Sears[2] Chicago, Ill.	$19,400	$19,500	(0.5%)	847	863	878	NA
Montgomery Ward Chicago, Ill.	5,128	5,028	2.0	333	343	NA	66
Total:	$24,528	$24,528	0.0	1,180	1,206	NA	—

[1] Classified as SMR due to everyday low price strategy, addition of national brand name merchandise and specialty store-within-a-store concept.
[2] Sales include U.S. Sears stores only.
( )—Loss NA—Not available
Source: DSN research

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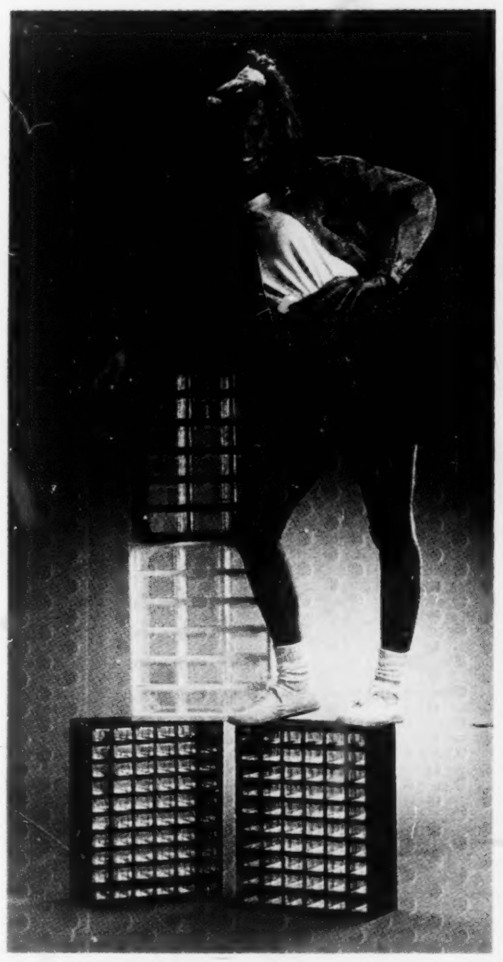

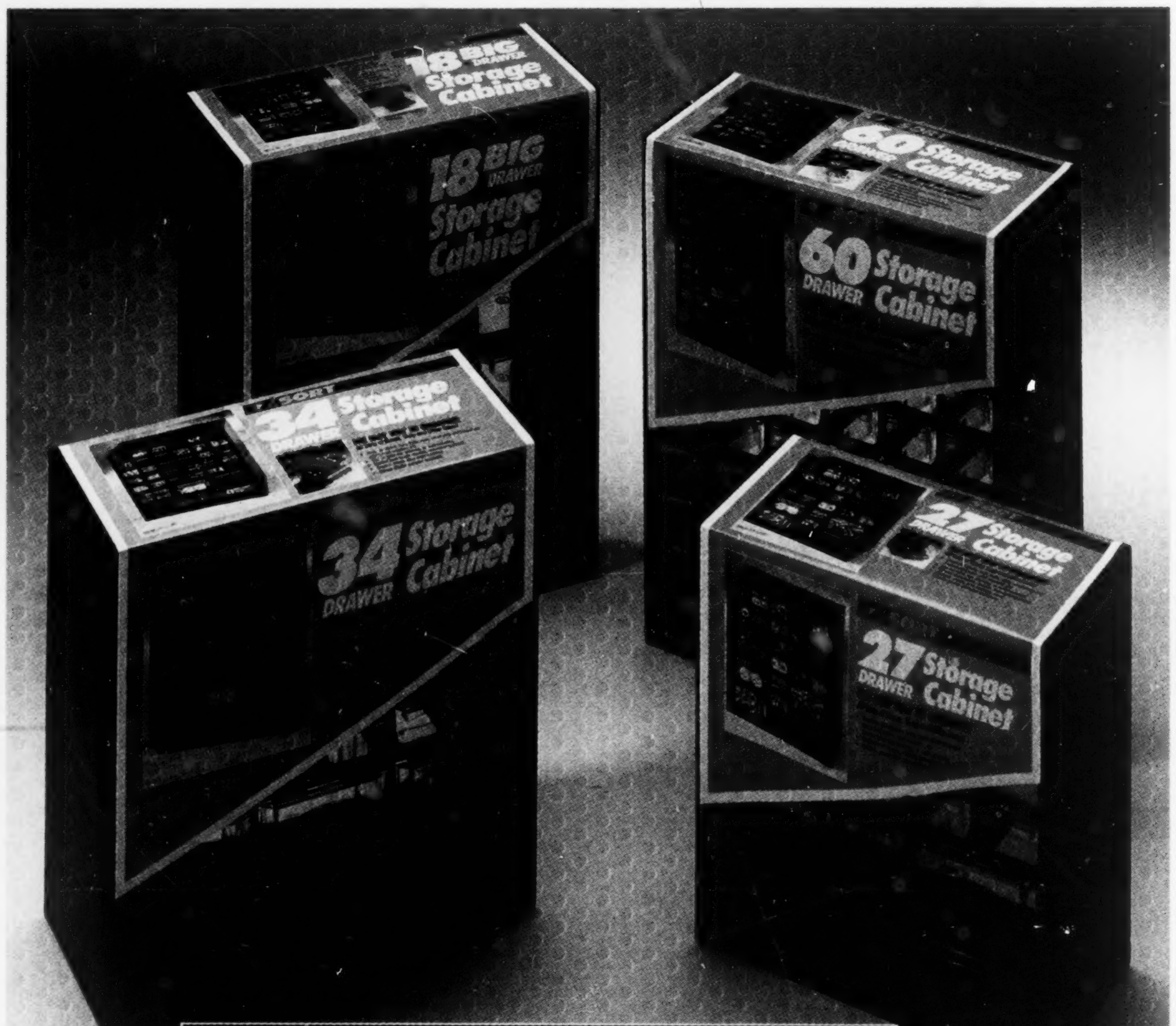
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HSN, QVC Rule Electronic Retailer Category

Top Electronic Retailers

Chain	Sales (In Millions) 1990	Sales (In Millions) 1989	% Change
Home Shopping Network Clearwater, Fla.	$1,008	$ 774	30.2%
QVC Network[1] West Chester, Pa.	776	453	71.2
Total:	$1,784	$1,227	45.4%

[1] Includes sales from CVN, acquired October 1989. *Source:* DSN *research*

The TV home shopping field continues to ferment despite its coalescing into a two-company business that recorded one of the greatest sales gains of any retailing segment last year.

The industry's 45.4% sales jump to almost $1.8 billion, spurred by the Home Shopping Network's climb past the $1 billion mark, reflects the two teleshoppers' expanding their reach to more households, and the resulting growing consumer acceptance of this retailing medium.

The two teleshoppers, HSN and QVC, are also leveraging their businesses by augmenting and diversifying operations to capture additional sales.

HSN's efforts include investing $30 million in, and providing back-office, telephone and other technology support for SkyPix Cable Partners, a joint venture service that will provide direct broadcast satellite TV service for cable systems using technology that will provide a sharper, clearer, interference-free picture. The digital interactive service, whose other partners are SkyPix Corp. and Northwest Starscan Ltd., plans to offer movies, home shopping and other programming.

HSN also has divisions that provide travel, insurance and apparel mail order services to consumers and video programming and telecommunications services to businesses.

QVC has acquired a simulated diamond maker and has made agreements with Hollywood and Broadway entertainers and sports personalities to sell their exclusive items.

HSN boosted its reach via cable and broadcast TV last year to 54.3 million households, a 9% jump from the 49.8 million homes able to view the teleshopper's three different programs—HSN 1 (carried full-time on cable and satellite TV), HSN 2 (aired full-time over broadcast TV stations) and Spree (shown full-time or part-time by broadcast and/or cable stations).

HSN airs HSN 1 over about 1,500 cable TV systems. It owns 12 broadcast TV stations and has agreements with 112 other broadcast and low power TV stations to carry its HSN 2 programming either full- or part-time. It began presenting shopping programs on broadcast TV stations as cable systems began investing in cable-only teleretailers.

QVC is the surviving exclusively cable TV merchant.

QVC last year extended its reach 12.5%, to 36.1 million cable TV homes from 32.1 million households in 1989. That figure, however, doesn't include about 4 million households able to view both QVC and CVN, another cable TV teleretailer acquired by CVN in the fall '89. Teleshopping programming rights to those homes were leased out to the JCPenney Shopping Networks, the cable video retailing arm of the JCPenney department store chain.

QVC operated CVN as a separate teleselling network until its integration into QVC in March 1990.

JCPenney, meanwhile, became disenchanted with its teleshopping operation, which didn't meet company sales expectation. It leased out rights to reach the 11 million households accessed by the JCPenney Shopping Network to QVC in May 1991.

QVC gained about 4 million households that didn't already receive its teleshopping show; in October it will began airing a separate teleshopping program to the approximately 7 million homes that had received both the QVC and JCPenney Shopping Network shows.

"HEADING FOR THE FUTURE"

Northwestern Bell Phones' slogan for the new decade is
"Celebrate The '90s ... The Best Is Yet To Come!"
Celebrate with us and get in on the benefits . . .

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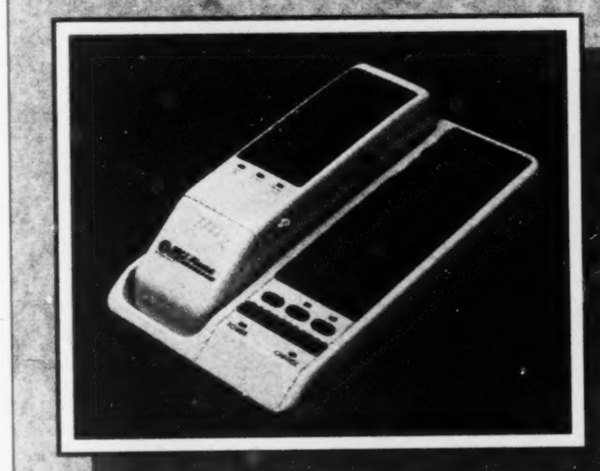

NEW WAREHOUSE AND QC FACILITY

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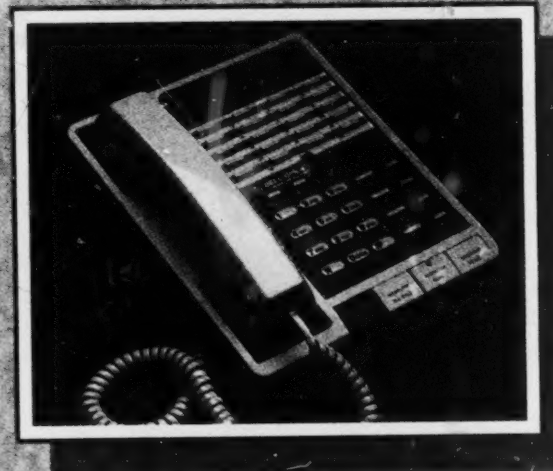
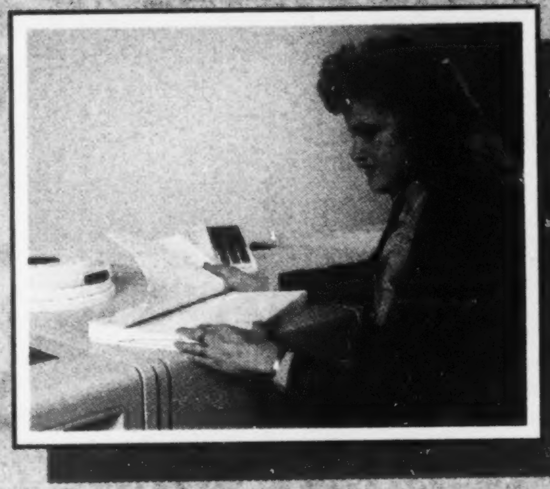
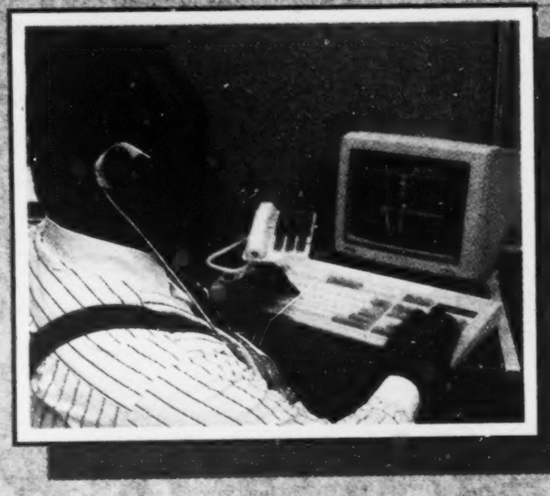


STATE-OF-THE-ART COMPUTER SYSTEM WITH EDI COMMUNICATIONS



FIRST RATE REPAIR FACILITIES AND CUSTOMER SERVICE PROFESSIONALS



These benefits combined with a new two-story booth at the Consumer Electronics Show plus the introduction of 10 new products, in addition to the 23 new products introduced last year, continues to demonstrate that Northwestern Bell Phones is leading the way in customer commitment with top quality products and service. Join Northwestern Bell Phones in the 90's, the company with a vision!

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Bears Batter Discount Store Stocks In 1990

By Neil Nordby
Special to DSN

Investors unloaded discount store issues lock, stock and stock option in 1990, closing out in bearish fashion what was until last year a bullish decade for these stocks.

And it's no secret why discount store stocks hit the skids last year. Few stocks can emerge unscathed from a recession, a war, a pull-back in spending by Americans, brutal competition that forced dramatic price slashing among discounters, tight credit markets, and negative investor psychology.

The result was inevitable: "sell" orders replaced "buy" orders and discount stocks fell dramatically last year.

Consider some of the following numbers from a year to forget for many shareholders:

- Each discount store stock fell over 28% on the average, or nearly seven-fold in comparison to the Dow Jones industrial average which toppled 4.3% for the year.
- Of the 61 total discount stocks that are publicly held, only nine stocks closed in positive territory last year, while the other 52 fell in value.
- An eye-popping 38 discounters fell by 20% or more in 1990, with Ames experiencing the greatest decline. The bottom line for Ames last year: down 95% to 56 cents (more on Ames later).
- But while the industry in aggregate took its lumps last year, nonetheless a number of the smaller concerns garnered some prestigious honors.

Take Price Co., for example. Its distinction in 1990: Price boasted the highest sales per employee in 1990 (see Most Productive Employee chart on page 82). Specifically, Price generated an eye-popping $406,000 per employee in 1990.

Next in line behind Price stood Costco, whose aggressive expansion campaign paid off in strong sales last year. And like Price Co., Costco also posted strong sales by its employees, posting $344,000 per worker. And Wall Street rewarded shareholders of Costco handsomely as a result of its proficiency, as the share price of this membership wholesaler soared 37% in 1990 to $48.25.

Retailers Rewarded

Wall Street, being the earnings and sales-driven machine that it is, also rewarded those discounters with strong income statements and balance sheets last year. And the one stock that was perhaps most popular with Wall Street, to nobody's surprise, was Wal-Mart.

Among the reasons behind this institutional favorite on Wall Street: the company had

(Continued on page 82)

Many Happy Returns

Company	Return On Assets (%)[1]	Company	Return On Assets (%)[1]
Wal-Mart	11.34	Dayton Hudson	4.83
Melville Corp.	10.52	Pep Boys	4.58
Price	10.36	Fred Meyer	3.71
Toys "R" Us	9.10	Service Merchandise	3.64
Family Dollar Stores	8.09	Waban	3.18
Venture	7.65	Consolidated Stores	1.58
TJX Cos.	7.08	Sears	0.94
Dollar General	7.04	Circuit City	0.36
Home Shopping Network	6.97	Pamida	(0.09)
Costco Wholesale	6.00	QVC Network	(2.29)
Super Valu Stores	5.93	Highland Superstores	(3.26)
Burlington Coat Factory	5.74	Best Buy	(5.10)
Kmart	5.44	Jamesway	(5.10)
Ross Stores	5.38	Rose's Stores	(6.09)
Pic 'N' Save	5.01	Hills	(35.30)
		Ames Department Stores	(49.52)

[1] *Return on assets equals net income divided by assets*
( )-Loss

Source: Nordby International

Most Valuable Discounters

Company	Assets[1]
Sears	$96,252,800
Kmart	13,899,000
Wal-Mart	11,388,915
Dayton Hudson	8,524,000
Melville Corp.	3,662,157
Toys "R" Us	3,582,443
Super Valu Stores	2,615,145
Service Merchandise	1,653,202
Ames Department Stores	1,602,375
Price	1,210,062
TJX Cos.	1,047,301
Fred Meyer	905,756
Circuit City	874,063
Costco Wholesale	819,869
Pep Boys	819,421
Hills	775,227
QVC Network	740,183
Waban	579,784
Home Shopping Network	556,236
Rose's Stores	455,942
Venture	450,940
Burlington Coat Factory	418,508
Highland Superstores	361,233
Family Dollar Stores	355,097
Jamesway	345,637
Pic 'N' Save	344,380
Pamida	309,974
Ross Stores	309,543
Consolidated Stores	288,119
Dollar General	207,737
Best Buy	185,528

[1] *Assets: Companies are ranked in descending order on the basis of total amount of assets in dollars.*

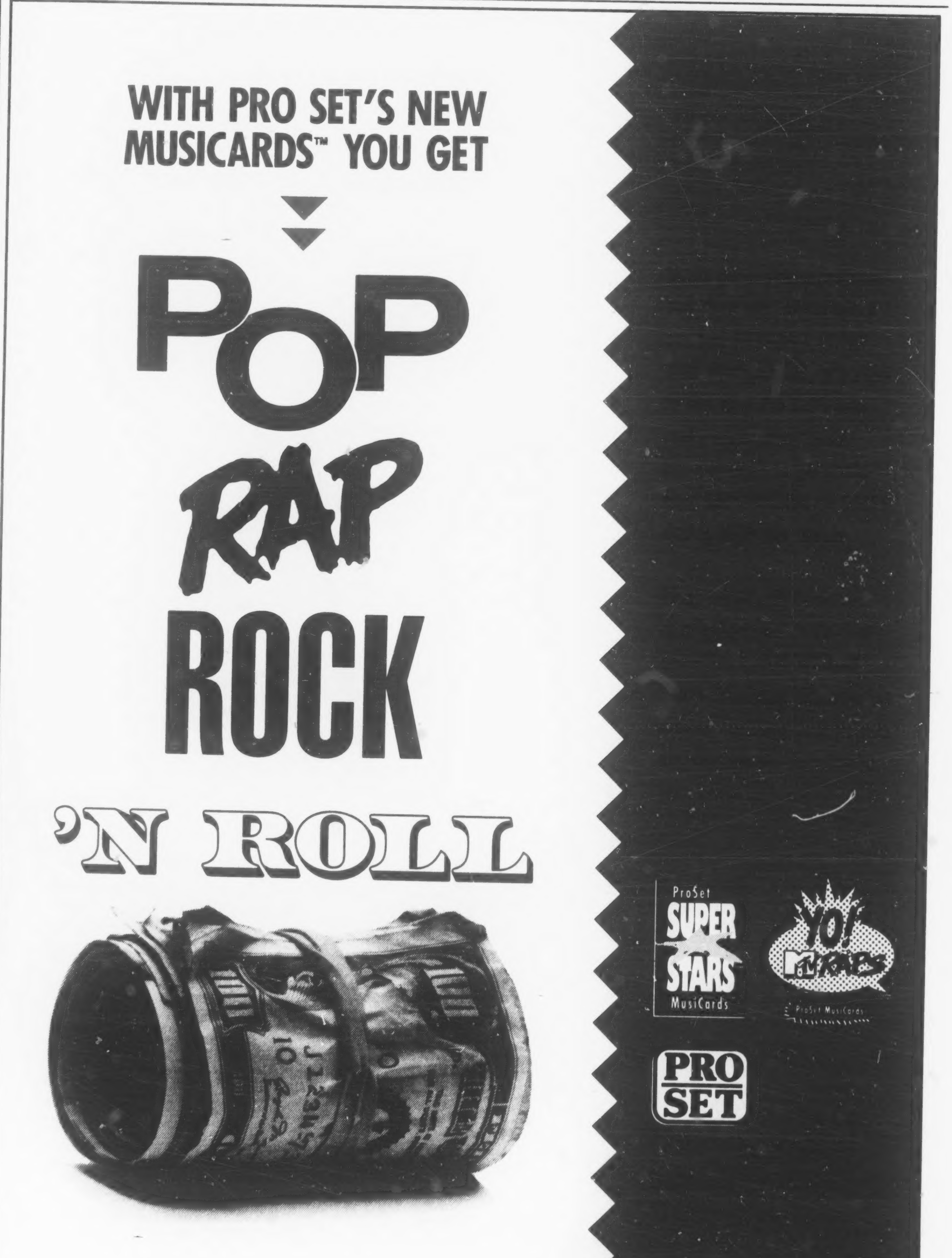
Source: Nordby International

Return on Sales Leaders

Company	Return On Sales (%)[1]
Toys "R" Us	5.92
Melville Corp.	4.44
Pep Boys	4.24
Wal-Mart	3.93
Home Shopping Network	3.84
Family Dollar Stores	3.26
Pic 'N' Save	3.26
TJX Cos.	3.03
Burlington Coat Factory	2.99
Dayton Hudson	2.80
Venture	2.43
Kmart	2.33
Price Club	2.32
Dollar General	2.24
Ross Stores	2.08
Service Merchandise	1.75
Sears	1.61
Fred Meyer	1.36
Super Valu Stores	1.34
Costco Wholesale	1.19
Waban	0.76
Consolidated Stores	0.67
Circuit City	0.13
Pamida	(0.04)
Highland Superstores	(1.37)
Best Buy	(1.42)
Rose's Stores	(1.84)
Jamesway	(1.93)
QVC Network	(2.19)
Hills	(12.78)
Ames Department Stores	(25.52)

[1] *Return on sales equals net income divided by sales. This shows in descending order which companies had the highest amount of sales trickle down to the bottom line on a percentage basis.*
( )-Loss

Source: Nordby International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Discount Store Stocks Battered by Bears in '90

(Continued from page 81)

the highest Return on Assets of all the discount store concerns in our annual review, 11.3%; Wal-Mart enjoyed the fourth-highest Return on Sales with 3.93%, and was in fifth place in Return on Equity with 24.06%. The result: Wal-Mart's stock rose a stout 35% in 1990 to $30.25 a share.

But unlike Wal-Mart, other perennial favorites could not overcome the economy, war and "sell orders" enough to garner a strong following on Wall Street last year. Consider Toys "R" Us and Melville Corp., which finished first and second, respectively, in Return on Sales, and finished fourth and second, respectively, in Return on Assets.

Occupying the top slots in these two categories normally is a recipe for success for investors, and in years past the combination of the two has indeed spelled success for shareholders in these stocks. But 1990 was a departure from the norm, as these two stocks witnessed considerable selling pressure on Wall Street. For the yearly trading session, both stocks fell just under 6%.

And then there was Ames, which was the worst-performing stock among its discount store brethren in 1990. And one look at its balance sheet shows why investors aggressively sold shares of the company last year.

Poor Showing for Ames

Consider some of the numbers for Ames: the company occupied the bottom rung in Return on Sales (-25.5%), Return on Assets (-49.5%), Sales Per Employee ($59,553), and Return on Equity (-181.57). Ames closed 1990 at 56 cents a share after starting the year with a stock price of $10.38.

Neil Nordby is president of Boulder, Colo.-based Nordby International, a financial monitoring company.

Most Productive Employees

Company	Sales Per Employee[1]
Price	$405,843
Costco Wholesale	344,384
Super Valu Stores	265,105
Waban	185,364
Home Shopping Network	185,004
Sears	178,254
Highland Superstores	162,412
Circuit City	157,983
QVC Network	155,206
Best Buy	154,610
Service Merchandise	150,891
Toys "R" Us	137,750
Family Dollar Stores	125,912
Fred Meyer	113,857
Ross Stores	111,513
Hills	108,125
Dayton Hudson	100,265
Venture	98,658
Pamida	95,126
Wal-Mart	93,895
Pic 'N' Save	92,827
Kmart	88,937
Jamesway	88,675
TJX Cos.	87,367
Dollar General	81,644
Pep Boys	81,484
Burlington Coat Factory	78,749
Consolidated Stores	72,785
Melville Corp.	72,638
Rose's Stores	71,802
Ames Department Stores	59,553

[1] *Sales per employee equals sales divided by number of employees, both as of year-end 1990.*

Source: Nordby International

A MONSTER-OUS PROMOTION WITH UNIVERSAL APPEAL!

MCA/Universal Home Video announces the Universal Monsters Classic Collection. *Classic titles with a haunting new look at a price to die for: just $14.95 suggested retail each. Backed by a promotion of monster-ous proportions!*

Dracula
Frankenstein
The Bride of Frankenstein
The Wolf Man
The Invisible Man
The Mummy
The Phantom of the Opera
Creature from the Black Lagoon
Son of Dracula

$14.95 SUGGESTED RETAIL EACH

MONSTER-OUS CONSUMER IMPRESSIONS:

Celebrating 60 years of unparalleled achievement in the horror genre, MCA/Universal Studios is unearthing multiple promotions and events to increase awareness for the Official Universal Studios Monsters, including the theatrical re-release of *Frankenstein* and *Dracula*, plus national promotions.

CLASSIC MONSTERS WITH A NEW LOOK:

This August MCA is offering *The Classic Collection*: nine of the *original* Universal Studios Monster titles at just $14.95* suggested retail each. These are the films horror fans are dying for: *Frankenstein, Dracula, The Wolf Man, The Mummy, The Bride of Frankenstein, The Invisible Man, Creature From The Black Lagoon, The Phantom of The Opera, Son of Dracula*, plus the special feature *Coming Soon*. All with enticing new packaging to hypnotize your customers.

MCA Street date: August 22nd

Call Your Sales Representative For More Details.

SPECIAL FRANKENSTEIN/ DRACULA 60TH ANNIVERSARY DUAL-PACK:

For a limited time only*. MCA/Universal Home Video is offering a special collector's dual-pack commemorating the 60th anniversary of *Frankenstein* and *Dracula*.

Dracula
Frankenstein

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SPOOKTACULAR PROMOTION:

$3 REBATE AND OVER $5 MILLION IN SUPPORT: This exciting release is highlighted by a $3 consumer rebate offer** from Miller Beer toward the purchase of the *Frankenstein/Dracula* dual-pack. The dual-pack rebate offer will be featured in Miller Beer's extensive "Scream For Miller" Halloween ad campaign, translating into more than *$5 million* worth of advertising!

*Dual-pack available through 12/15/91. **Rebate certificates available at Miller Beer displays (in most states). Number for consumers to call to receive certificates (1-800-722-3640) will be featured on MCA/Universal Home Video point-of-purchase posters. Rebate offer requires proof of purchase from dual-pack. Rebate offer good through 12/2/91. Void where prohibited. Advertising and promotional details subject to change without notice.

Balance Sheets of Discounters Impacted By Debt and Recession

Debt and recession. That combination drove more than a few discount retailers to seeking court protection from creditors last year. The accompanying charts provide a clue to the relative strengths and weaknesses of a retailer's balance sheet.

The chart at left ranks discount retailers on the basis of their return on equity. Return on equity is calculated by dividing the company's net income by total shareholders' equity. Companies that score high on the list generally have relatively high net income and relative low equity (combined value of paid in capital and retained earnings).

For example, the top ranked chain, Service Merchandise, had a positive net income last year but the second lowest equity among the companies with a positive equity in 1990. Service went from a negative equity of $42 million in 1989 to a low positive equity in 1990.

Return on equity was incalculable for both Ames and Hills as each posted negative income and equity in 1990.

The two other charts (below left) rank the public discounters on the basis of the amount of long-term debt (The Biggest Borrowers) and their debt-to-equity ratio (debt compared to underlying shareholders' equity).

Sears, by a wide margin, carries the most long-term debt on its balance sheet. However, its debt-to-equity ratio of 0.99 is fairly strong considering the tough year the company experienced.

Target's parent, Dayton Hudson, was a distant second to Sears in its long-term borrowings. No doubt the acquisition of Marshall Fields contributed to the 1.8 ratio of debt-to-equity registered by the company in 1990.

Kmart carried over $1.7 billion in long term debt on its balance sheet, yet its low debt-to-equity ratio of 0.32 illustrates its relatively high equity. Wal-Mart carries $740 million in long-term debt on its balance sheet, and has a 0.14 debt-to-equity ratio.

Unlike the earlier section of this report, where figures are broken out according to individual retail divisions, the figures in this financial report are consolidated for all retail divisions of the public companies. For example, TJX Cos. includes T.J. Maxx, Hit or Miss, Winners Ltd. and Chadwick's.

Return on Equity Leaders

Company	Return On Equity (%)[1]	Company	Return On Equity (%)[1]
Service Merchandise	237.14	Burlington Coat Factory	10.98
Venture	37.89	Pep Boys	10.89
TJX Cos.	27.40	Pic 'N' Save	9.06
Wal-Mart	24.06	Sears	7.04
Home Shopping Network	21.84	Waban	6.48
Melville Corp.	20.80	Consolidated Stores	3.03
Price	20.34	Circuit City	0.86
Dayton Hudson	20.12	Pamida	(3.00)
Toys "R" Us	15.93	QVC Network	(8.14)
Super Valu Stores	15.85	Highland Superstores	(10.58)
Family Dollar Stores	14.58	Jamesway	(15.51)
Kmart	14.04	Best Buy	(16.67)
Ross Stores	13.53	Rose's Stores	(16.73)
Costco Wholesale	12.54	Ames Department Stores	N.C.
Fred Meyer	11.77	Hills	N.C.
Dollar General	11.10		

[1] *Return on Equity equals net income divided by shareholder's equity.*

( )-Loss N.C.-Not Calculable

Source: Nordby International

The Biggest Borrowers

Company	Long-Term Debt (000s)[1]
Sears	$12,636,400
Dayton Hudson	3,682,000
Kmart	1,701,000
Wal-Mart	740,254
Service Merchandise	726,881
Super Valu Stores	382,439
QVC Network	366,688
Melville Corp.	358,803
TJX Cos.	308,593
Fred Meyer	232,881
Home Shopping Network	225,109
Pep Boys	210,868
Price	193,499
Toys "R" Us	182,695
Pamida	160,351
Highland Superstores	121,513
Rose's Stores	99,500
Burlington Coat Factory	95,838
Circuit City	94,350
Venture	93,361
Costco Wholesale	73,744
Pic 'N' Save	67,482
Jamesway	61,356
Ross Stores	57,600
Consolidated Stores	50,125
Best Buy	35,381
Dollar General	19,073
Waban	10,161
Hills	7,155
Family Dollar Stores	0
Ames Department Stores	0

[1] *Long-term debt equals the amount of long-term debt that resides in a company's balance sheet.*

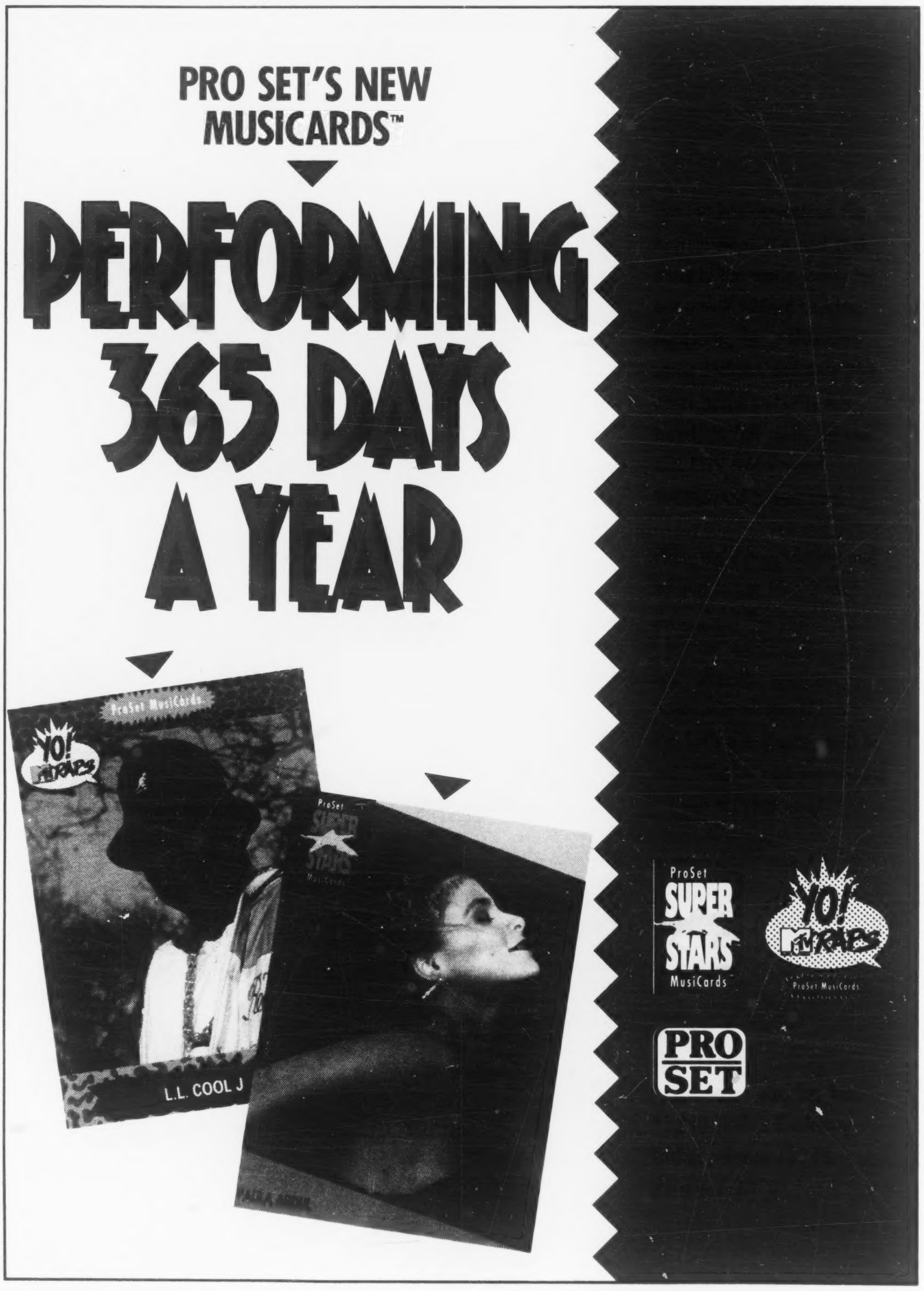
Source: Nordby International

Debt to Equity Rankings

Company	Long Term Debt To Equity (%)[1]
Service Merchandise	28.65
Pamida	17.53
Dayton Hudson	1.80
QVC Network	1.76
Home Shopping Network	1.27
TJX Cos.	1.14
Highland Superstores	1.09
Venture	1.03
Sears	0.99
Fred Meyer	0.82
Best Buy	0.62
Pep Boys	0.61
Rose's Stores	0.60
Jamesway	0.54
Ross Stores	0.47
Burlington Coat Factory	0.44
Super Valu Stores	0.39
Pic 'N' Save	0.35
Consolidated Stores	0.33
Kmart	0.32
Price	0.31
Circuit City	0.26
Melville Corp.	0.19
Costco Wholesale	0.19
Dollar General	0.14
Wal-Mart	0.14
Toys "R" Us	0.09
Waban	0.04
Family Dollar Stores	0.00
Ames Department Stores	0.00
Hills	(0.03)

[1] *Long-term Debt-to-Equity ranks in descending order the companies with the highest amount of debt compared to underlying shareholders' equity. The higher the percentage in this instance, the weaker a company's balance sheet.*

Source: Nordby International



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Denim upholds its position

It remains one of the quintessential items in any men's apparel assortment. It is currently the cornerstone of the young men's apparel business, and it is proving its endurance as it stands up to an onslaught of competition in the form of casual slacks, fleece and shorts. In this precarious apparel business environment, denim jeans are proving their mettle. Retailers continue to report increases in the category and many merchants believe the classification will be even stronger in 1992.

An exclusive consumer study conducted for *Apparel Merchandising* by The Gallup Organization confirms the plans of retailers who have faith in denim's continuing strength. About two-thirds of the men queried in the survey, which was conducted on a national basis, say they'll purchase jeans during the next 12 months. A large proportion of this group plans multiple purchases.

On average, survey respondents indicate that they will buy more than three pair of jeans in the coming year. If those who don't intend to buy any jeans are factored out of the equation, the average jumps to five pair.

It will undoubtedly come as some relief to denim marketers that baby boomers haven't chucked their jeans inclinations to build a casual wardrobe consisting entirely of Dockers and sweatpants. In fact, only 10 percent of the 25- to 40-year-olds won't be purchasing jeans in the next year. Younger men are even more likely to buy jeans; more than 94 percent of the 18- to 24-year-olds plan on making denim purchases during the next 12 months. Ten percent of this group say they'll purchase 10 pair during the period. Just four percent of the 25- to 40-year-olds say they'll buy that many pairs of jeans this year, but a quarter of that group does intend to purchase a substantial four or five pair in the coming 12 months. As might be expected, older customers are less likely to buy jeans. About 54 percent of those between 50 and 65 say they'll buy denim during the next year.

> **Denim has not only proved its endurance against the competition, but retailers say the classification will be even stronger in 1992.**

Despite the tapering of jeans popularity among older men, the potential of denim business in the near future is enormous. Profits from the category will, according to the study, be spread throughout a variety of retail tiers.

With nearly a quarter, 23%, of the men who plan to buy jeans during the next year intending to head to a discount store for their denim purchases, this "Born In The USA" apparel item should remain a top priority of mass merchants. This figure suggests that carrying a broad assortment of brands that are prominently displayed, a tack adopted by many discount stores, is well worth continuing for the immediate, if not the long-term, future.

Nearly a quarter intend to purchase jeans at discount stores

In the next year, where do you expect to buy jeans?	Total	Age 18-24	25-34	35-49	50-64	65+	Income Under $20K	$20K-$39.9K	$40K+
Department store*	39%	35%	39%	47%	30%	26%	35%	34%	46%
Discount store	23	6	23	28	39	26	18	29	21
Specialty store	17	22	19	17	13	10	20	16	21
Sears	16	20	17	8	22	20	23	15	11
Off-price store	8	13	4	9	3	14	8	9	5
Catalog/mail order	4	10	3	4	2	—	3	6	3
Montgomery Ward	4	2	3	6	6	—	4	4	2
Other	3	1	4	1	—	9	6	2	3
Don't know	5	2	5	5	3	6	5	4	5

*Includes JC Penney
Source: The Gallup Organization for *AM*. Percentages add up to more than 100% due to multiple answers.

Unfortunate for the mass merchant is the fact that younger men, 18 to 24, who are most prone to buying several pairs of jeans annually, are least likely to purchase denim at discount stores. Only 6 percent in this group say they'll be buying denim in discount stores during the next year. Baby boomers, 25- to 40-year-olds, however, are much more likely to shop for jeans at discount stores. About 24 percent of this group say they'll buy at discount stores during the next year.

Along with department stores and discounters, specialty stores represent a significant presence in the jeans market. About 17 percent of those who participated in the study say they'll purchase denim at men's or young men's stores. It comes as no surprise that these outlets are particularly popular with the 18- to 24-year-olds. Some 22 percent of this group plan to make their jeans purchases at specialty stores. About 18 percent of the baby boomers choose this tier.

Sears remains a contender in the denim market with nearly 16 percent of those in the study naming the Chicago giant as an outlet they'll choose for jeans this year. Only eight percent say they'll buy at off-pricers, while four percent contend they'll order through a catalog, the same percentage that Montgomery Ward garnered.

One advantage discount stores have in the struggle for the denim customer is price. More than half of the survey participants, 53 percent, say they expect to pay less than $25 for jeans. But this doesn't mean that the lowest price should be the driving force of the business. Only eight percent anticipate spending less than $15 for denim, while 23 percent say they'll pay $20 to $25.

The higher end of the denim price spectrum represents a significant opportunity for department and specialty stores. Forty-seven percent of those queried say they'll spend $25 or more for jeans during the next year. But the $35 figure represents something of a cutoff mark. Only 10 percent of those queried say they'll spend more than that for jeans this year.

While price certainly enters into customers' buying decisions, it is far from the only factor influencing buying patterns. The marketing power of brand names also strongly affects which pair of denims a man is likely to buy. It will come as no surprise to discounters, who have been clamoring for product from Levi Strauss & Co. for years, that the San Francisco-based denim giant's merchandise ranks No. 1 with consumers—by far.

Fifty-four percent of the men who plan on buying jeans during the next year say their next denim purchase will bear the Levi's label. Good news for discounters is the fact that the two wide-

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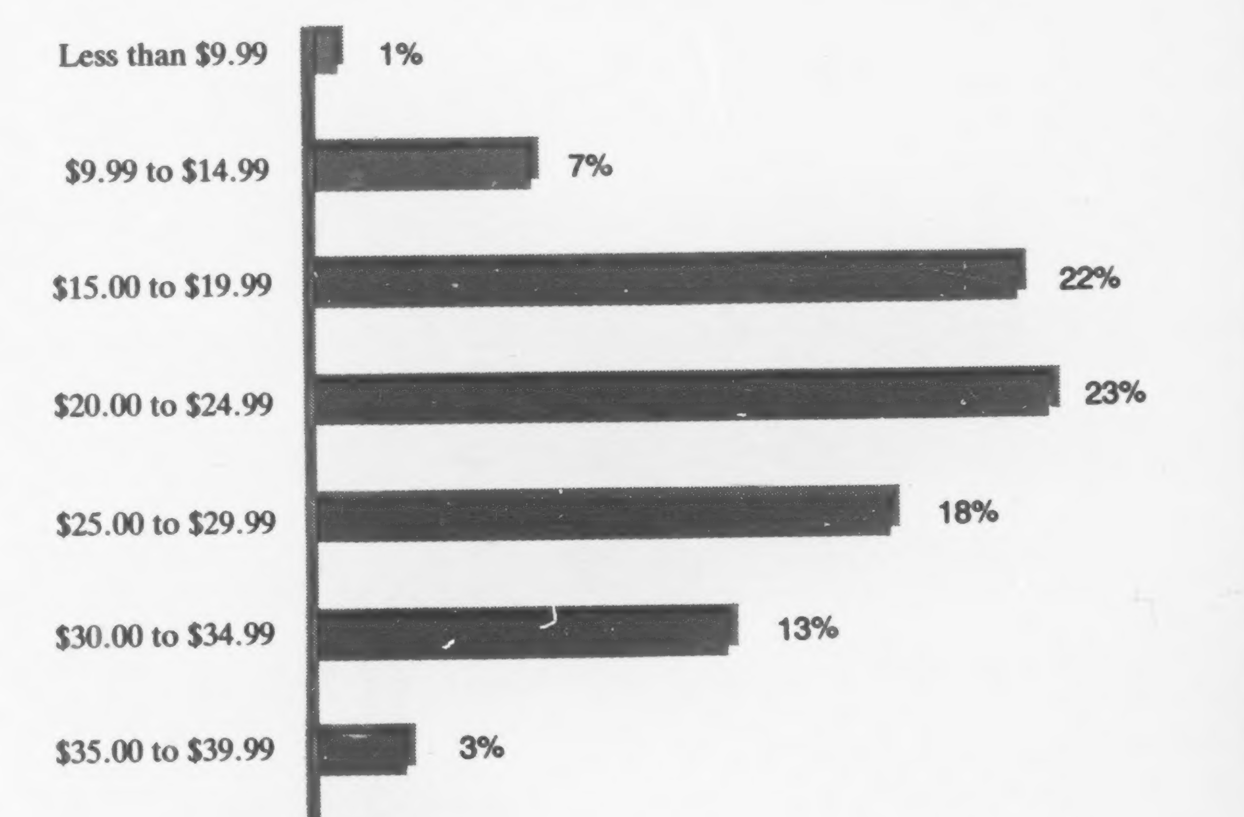
More than two-fifths, 41%, say they'll pay between $20.00 and $29.99 for jeans.

(In the next year, what price do you think you will pay for a pair of jeans?)



Source: The Gallup Organization for *AM*.

ly distributed VF labels, Lee and Wrangler, tie for second place. Approximately 14 percent of the men queried name each of those brands as their next jeans purchase.

The study indicates demographic differences in brand preferences. Consumers on Levi's home turf in the West have an overwhelming affinity for the brand. About 73 percent in that region name Levi's as their next purchase. Levi's weakest franchise is apparently in the Midwest, although 46 percent in that area still name Levi's as their next jeans buy.

Levi's loss is apparently Lee's gain. Twenty percent of the midwesterners queried say Lee jeans will be their next denim purchase. But in the West, Lee only garners a meager four percent. Wrangler's potentially strongest market, the study indicates, is the South. Approximately 20 percent in that area say Wrangler will be their next denim buy.

In terms of age, its appears that Levi's is again the winner. The brand has the vote of both the baby boomers and youth markets. Fifty-seven percent of the 25- to 40-year-olds chose Levi's as the next jeans they'll buy. Sixteen percent named Lee, while 14 percent say Wrangler represents their next denim purchase. In what may be a testament to Levi's youth-oriented advertising and marketing campaigns, the brand dominated among 18- to 24-year-olds. Nearly 80 percent in this segment say that the next pair of jeans they buy will be Levi's. Lee has big problems in this area. About four percent of the youthful set name Lee, while seven percent pick Wrangler.

After the big three jeans labels, consumer preferences drop precipitously. Two percent say their next jeans purchase will be a pair of Bugle Boy, Guess, Russler or private-label denims.

Aside from the right labels, retailers will have to carry jeans that sport the consumer finish of the moment if they expect to keep the denim business on a roll. Basics are still popular. The overwhelming favorite remains pre-washed styles, which 40 percent of the survey participants say they'll buy the next time they pick up a new pair of jeans. A surprisingly high percentage, 30 percent, say they'll purchase rigid denim.

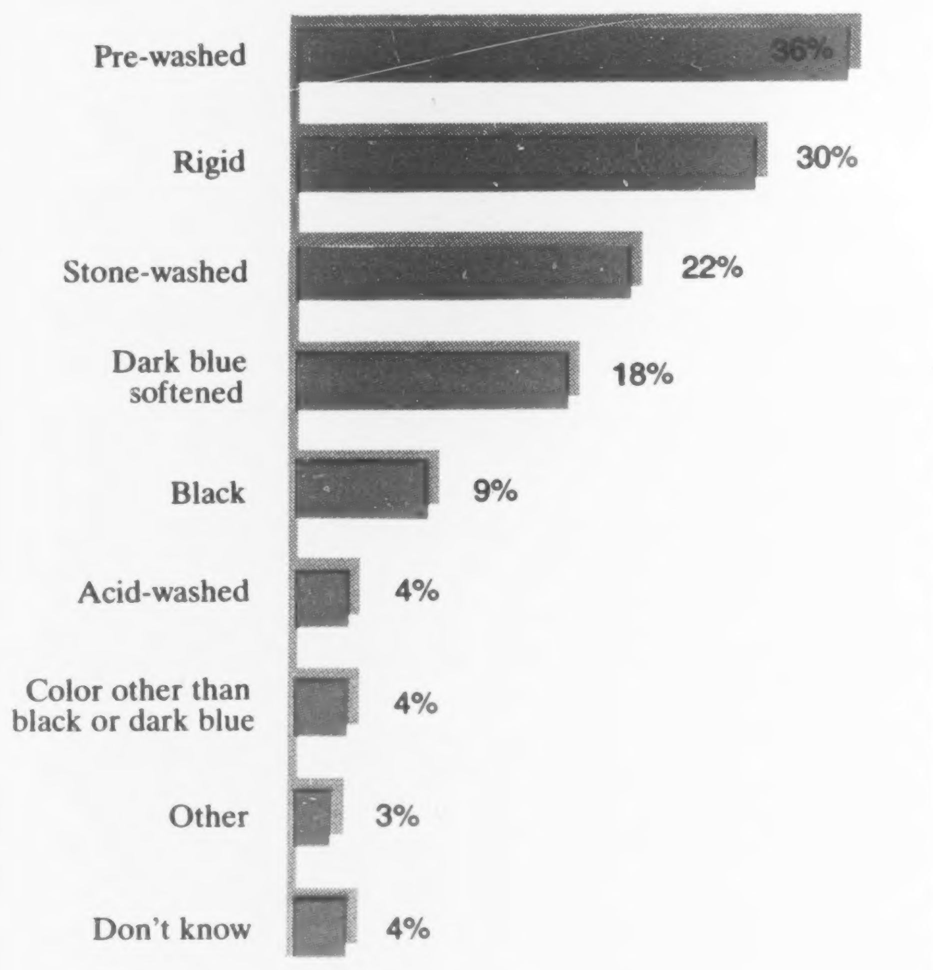
In fashion finishes, stone-washed jeans are gaining in popularity. In a study conducted a year before the current survey, 17 percent of the men queried said their next denim purchased would be stone-washed jeans. This year 22 percent gave a stone-washed response. Acid finishes, as retail results confirm, are on the wane. About seven percent participating in the 1990 study said they were planning purchases in that highly distressed fabric. This year the acid finish fans dropped to four percent.

In terms of silhouette, five pocket models remain the style of choice with 47 percent of the respondents saying they are very or somewhat likely to purchase this stalwart model.

Few would argue the fact that men have become much more fashion conscious in recent years. Yet there appears to be little likelihood that they will be sloughing their traditional jeans anytime soon. With the consumer love affair with denim in full bloom, marketers are well positioned to push the jeans business to the maximum. ◢

Men prefer pre-washed denim

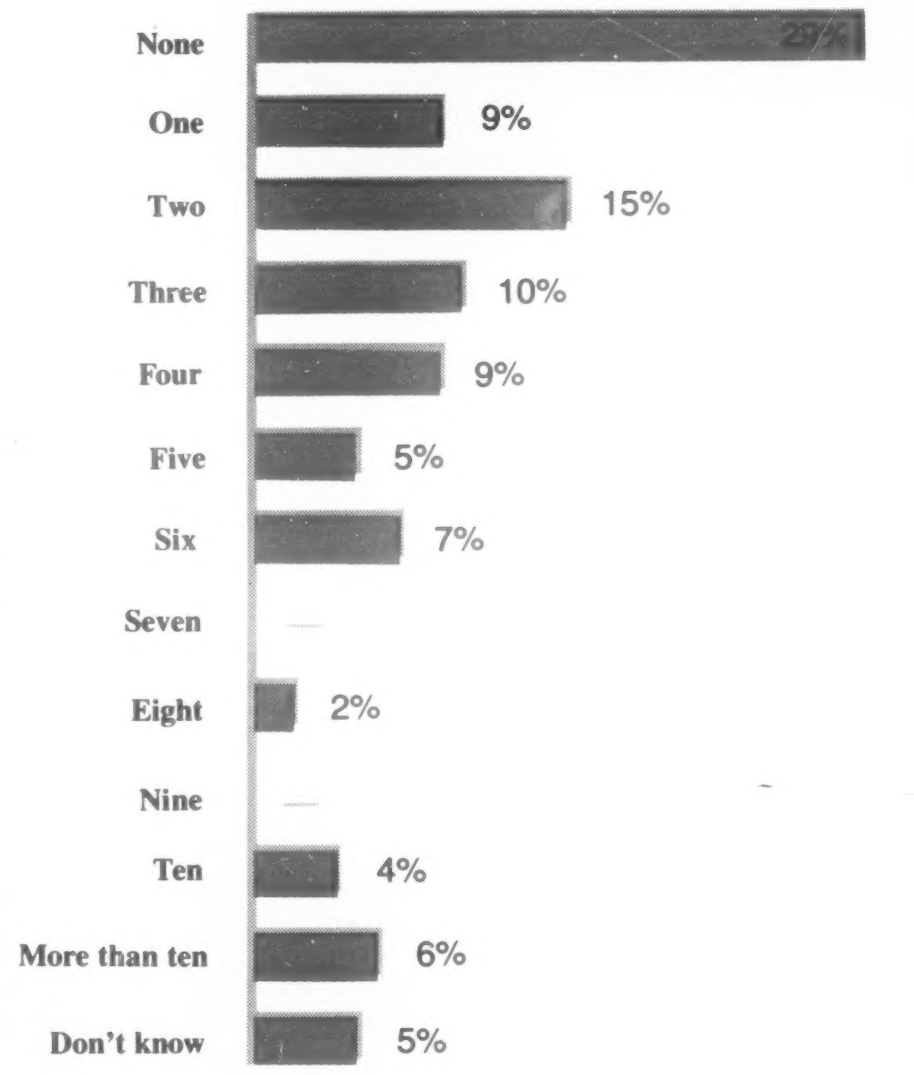
(When you buy jeans in the next year, which type of denim fabric will you choose?)



Source: The Gallup Organization for *AM*.

On average men plan to purchase three pairs of jeans

(How many pair of jeans will you buy in the next 12 months)



Source: The Gallup Organization for *AM*. Percentages add up to more than 100% due to multiple answers.

Casual pants and shorts represent incremental business

(Will your purchase of casual pants or shorts be in addition to or instead of a pair of jeans?)

	Those who intend to buy pants	Those who intend to buy shorts
In addition to jeans	73%	80%
Instead of jeans	24	17
Don't know	3	3

Source: The Gallup Organization for *AM*

Casual pants and shorts are likely purchases

How likely are you to buy a pair of casual pants in the next year?	Total	Income Under $20K	 $20K-$39.9K	 $40K +	How likely are you to buy a pair of shorts in the next year?	Total	Income Under $20K	 $20K-$39.9K	 $40K +
Very likely	45%	38%	44%	61%	Very likely	48%	38%	44%	61%
Somewhat likely	26	26	26	18	Somewhat likely	14	26	26	18
Not too likely	9	10	11	9	Not too likely	8	10	11	9
Not at all likely	19	24	19	12	Not at all likely	30	24	19	12
Don't know	1	2	—	—	Don't know	1	2	—	—

Source: The Gallup Organization for *AM*.